

Austria	RM200 Iran	RM210 Pakistan	RM210
Bahrain	DM1,350 Israel	Sh14,300 Philippines	PM240
Cyprus	CT1,200 Jordan	1,000 Poland	PM240
Denmark	DK1,150 Korea	JO1,300 Portugal	PM240
Egypt	EG3,300 Kuwait	OM1,200 Qatar	PM240
France	FF1,440 Luxembourg	PM240	PM240
Germany	DM1,600 Malta	1,000 Singapore	PM240
Greece	Dr1,100 Mexico	1,000 Sweden	PM240
Hungary	FT1,100 Morocco	PM240	PM240
Ireland	IE1,100 Netherlands	PM240	PM240
Indonesia	Rp1,200 Norway	NG1,200 Turkey	PM240
	Rp1,200 Oman	OM1,200 UAE	PM240

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## World News

## Business Summary

**Soviet decree targets food supply shortages**

Soviet president Mikhail Gorbachev has decreed that hard currency should be used to secure supplies of food and basic consumer goods in the face of falling production and warnings of a poor harvest. The presidential decree lays down that all hard currency funds should be used to purchase consumer goods from abroad and that barter arrangements should be set up to further ensure supplies. The measure, one of several which attempt to address the increasing crisis on the Soviet consumer market, is notable for its explicit reliance on market mechanisms. Page 18

## Sanctions stay

The United Nations Security Council met privately for a periodic review of an April Gulf war ceasefire resolution and concluded there were no grounds for any changes in UN sanctions against Iraq.

**Sinking to be examined**  
The South African government has appointed a medical court to investigate the sinking of the Greek-registered liner Oceanus, which was carrying 580 people. All were rescued. Page 4

**Jobs-for-life may go**  
Many German public officials face losing their jobs-for-life status as public corporations face increasing competition from the private sector. Page 2

**US aid boost**  
Congress is expected to boost US exports by targeting millions of dollars in US aid towards foreign infrastructure development. The funds would have to be used to buy US goods and services. Page 3

**ANC wants early talks**  
South Africa's African National Congress is seeking an early start to constitutional negotiations to capitalise on the government's loss of stature in the wake of the Inkatha funda scandal. Page 4

**Shia Moleski protest**  
Pakistani police arrested more than 300 Shia Moleski who attacked government offices in Islamabad in protest at the government's alleged failure to punish the killers of their leader, Arif Al-Hussaini, who died three years ago.

**Guerrilla leader held**  
Philippine police captured the chief of the communist New People's Army, Romualdo Ximenes, and his wife at a Manila hospital where they were having check-ups. Page 4

**Kenya forum illegal**  
Kenya's ruling African National Union has declared illegal a new forum to campaign for a return to multi-party democracy. Opposition parties are banned in Kenya. Page 3

**Police chief jailed**  
The former police chief of Australia's Queensland state, Sir Terence Lewis, was jailed for 14 years for accepting nearly A\$600,000 (US\$470,000) in bribes. Page 18

**Presidency rejected**  
Lee Kuan Yew, Singapore's prime minister for 31 years until last November, said he would not seek election as president when the post is created in 1993. Page 4

**N-teats world ban urged**  
A British-based medical campaign against nuclear weapons is calling for an immediate ban on worldwide nuclear tests after an international report predicted millions of deaths. Page 20

**Honda founder dies**  
Soichiro Honda, who founded Honda Motor and spearheaded Japan's participation in international motor sport, has died at 84. Page 18

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Tuesday August 6 1991

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Deficit liberalising

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Taking cover: A Yugoslav federal airforce jet flies low over Osijek airport, which is in Croatian hands but surrounded by Serbian forces

**Armed European intervention urged as EC sets up crisis talks****France seeks Yugoslav force**

By David Gardner in Brussels and Laura Silber in Zagreb

FRANCE yesterday moved to convene an emergency meeting of the nine-member Western European Union to consider sending a military force to intervene in Yugoslavia.

Mr Roland Dumas, French foreign minister, was reported by ministry officials to have raised the issue as his European Community counterparts planned an emergency meeting on the crisis today.

The foreign ministers' meeting will consider a report on the events leading to the failure of the weekend EC mission to resolve the situation.

French foreign ministry officials said Mr Dumas had asked the WEU defence alliance to meet "in the framework of the possible creation of a European interposition force" in Yugoslavia. Mr Dumas also planned

to ask for a meeting of the UN Security Council to debate the Yugoslav crisis, they added.

Mr Hans-Dietrich Genscher, German foreign minister, yesterday blamed Mr Slobodan Milosevic, president of Serbia, for the failure of the EC mission and said sanctions should now be imposed on Serbia. He added that the EC should consider recognising the independence of Croatia and Slovenia.

Mr Genscher said: "The Serbian government has clearly taken over responsibility for developments in Yugoslavia. The Serbian leadership has not only blocked a ceasefire ... it has also destroyed the basis for negotiations and for peacefully settling the future of Yugoslavia's people."

In Vienna, Mr Alois Mock, Austrian foreign minister, called for the reconvening of last month's Prague session of the 35-member Conference on Security and Co-operation in Europe (CSCE).

Diplomats returning from the weekend visit to Belgrade by the troika of Luxembourg, Dutch and Portuguese foreign ministers were sceptical about what could still be salvaged.

The Community mission had

**YUGOSLAV CRISIS**

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■ Croatian leader tries to stem criticism ..... Page 2

■ Italy says threat to border and political aims ..... Page 2

■ The awful shape of things to come ..... Page 17

sought agreement with the leaders of Yugoslavia's six republics on implementing a ceasefire in the western republic of Croatia. But the talks broke down after Mr Milosevic failed to attend a session in Belgrade on Sunday, in effect renegotiating on agreements made the previous day.

More than 300 people have died in fighting between Croats and Serbs since June 25, when Croatia and Slovenia declared independence.

Mr Franjo Tudjman, president of Croatia, said yesterday that while the crisis need not slide into all-out war, when Croatia and Slovenia declared independence.

They fear ahead of today's meeting that the Serbian leadership will not hesitate to call up the whole Croatian people, barehanded if needs be, to resist aggression.

They again said Croatia would call for an international peace

conference on the Yugoslav crisis, and the deployment of peacekeeping troops, either with the United Nations or the CSCE.

"I do not think Croatia has ever had greater support from the international community, both public opinion and officials from European and American countries."

EC diplomats doubted whether the French moves would induce Serbia to endorse any internationally monitored ceasefire in the disputed areas of Croatia.

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**Inquiry ordered into Iran hostage delay**

By Peter Riddell, US Editor, in Washington

DEMOCRAT leaders in the US Congress have ordered an official inquiry into allegations that members of former president Ronald Reagan's campaign staff sought to delay the release of the 52 American hostages held in Tehran until after the 1980 presidential elections.

Mr Tom Foley, speaker of the House of Representatives, and Senator George Mitchell, majority leader of the Senate, said yesterday they had "no conclusive evidence of wrongdoing, but the seriousness of the allegations and the weight of circumstantial information compel an effort to establish the facts." The charges were both "persistent and disturbing."

The inquiry will be carried out separately by a foreign relations sub-committee in the Senate headed by Senator Terry Sanford and by a special task force in the House chaired by Congressman Lee Hamilton. Both men are Democrats.

The committees, which will co-ordinate their activities, could hold public hearings if the inquiry warrants it.

President George Bush, in 1980 a candidate for the vice-presidency, has denied any involvement or having attended meetings in Paris with Iranians.

Mr Foley and Mr Mitchell said they accepted Mr Bush's word that he had nothing to do with the allegations.

Mr Martin Fitzwater, White House spokesman, said yesterday that Mr Bush believed that if there was legitimate evidence and real reason for an investigation, Congress ought to get to the bottom of it, but if it was just a political witch-hunt, it was foolish.

Continued on Page 16

**Japanese PM pledges tough new finance legislation**

By Stefan Wagstyl in Tokyo

JAPANESE prime minister Mr Toshiki Kaifu yesterday promised to prevent any repeat of recent stock market scandals by enacting tough new securities laws.

He made the pledge in a policy speech at the opening of a special session of the parliament, during which MPs will make changes to Japan's post-war political system.

As well as financial market

reforms, the parliament is expected to debate bills for political reform and for ending the ban on sending Japanese military personnel on active service overseas. This would enable them to join United Nations peacekeeping forces.

Mr Kaifu said the government was drafting laws to deal with the crux of the securities scandal, where stockbrokers compensated favoured clients

for trading losses. The Securities and Exchange law would be revised to make compensation illegal and also to ban

discretionary investment accounts managed directly by brokers instead of fund managers.

Mr Kaifu said the compensation payments were "deplorable, not only because they violated the standards expected

of brokers and undermined trust in Japanese markets but also because they contradicted

"our ideal of a fair society".

He also criticised the "super-visory authorities", a committee aimed directly at the Ministry of Finance, although the prime minister did not name it.

The ministry is under attack for failing to monitor the securities industry adequately. Mr Ryutaro Hashimoto, the finance minister, has faced

calls for his resignation because of his responsibility as head of the ministry and partly because it emerged at the weekend that one of his aides had been involved in a separate financial affair concerning illegal loans.

Mr Hashimoto's chances of staying in office improved yesterday when Mr Kaifu expressed support for him to the press. Mr Hashimoto, a

potential future prime minister, wants to stay in his post long enough to be able to claim credit for some of the reforms. To go now, when demands for his resignation are at their peak, would look like giving in to pressure.

Mr Kaifu's speech promised a bill to remove the current system of multi-seat constituencies in favour of single-seat

Continued on Page 16

**Lloyd Webber chalks up a Really Useful deal**

By Michael Skapinker in London

MR Andrew Lloyd Webber, chalked up another hit yesterday.

The creator of Cats, Jesus Christ Superstar and Evita sold a 30 per cent stake in his Really Useful Holdings to PolyGram, the music business, for £78m, which is more than the entire sum he paid for the whole group last year.

Mr Lloyd Webber paid £77.5m for the company when he bought it back from shareholders in a buy-out last year.

Mr Alain Levy, chief executive of PolyGram, which is 80 per cent owned by Philips of the Netherlands, said he thought the deal was worth every penny.

He described Mr Lloyd Webber, whom he likened to Mozart, as "one of the talents of the twentieth century." He added: "We're not talking about a pop artist here. We are talking about someone who has a long-term life in all kinds of entertainment businesses."

Mr Levy said the real attraction of the deal was that Mr Lloyd Webber had agreed to

extend his contract with Really Useful by 10 years to 2003.

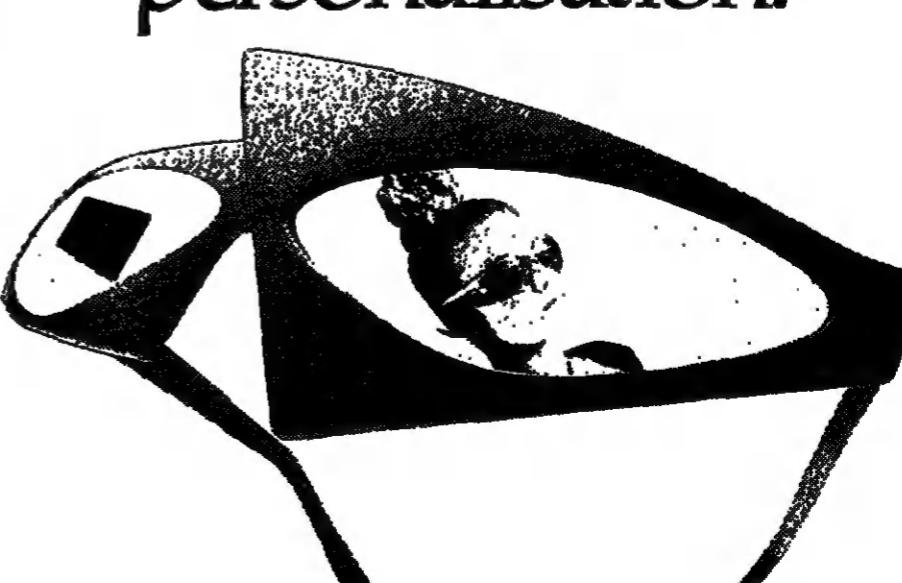
PolyGram, which has paid £6m for its stake and will pay an additional £10m in 1994, has been given PolyGram the option to acquire a majority share in Really Useful in 2003. It will also pay Mr Lloyd Webber an unspecified performance-related payment.

Mr Levy said PolyGram's association with Mr Lloyd Webber goes back more than a decade. PolyGram had helped to finance a number of Really Useful stage productions and, through its Polydor record label, has already sold more than 10m Lloyd Webber albums, including the cast recordings of The Phantom of the Opera, Starlight Express and Aspects of Love.

Later this month, Polydor will release the recording of the new Lloyd Webber produc-

Observer, Page 16

Lex, Page 18

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## Congress ready to tie aid to US contracts

By Nancy Dunnin in Washington



Republican Senator Robert Dole gave key support

CONGRESS is close to passing legislation which would boost US exports by targeting millions of dollars in US aid funds towards foreign infrastructure development.

The US funds - called "tied aid" - would have to be used to buy American goods and services. This would represent a major shift in the US foreign aid programme.

The legislation reflects impatience in Congress with the talks to limit tied-aid funding under the Organisation of Economic Co-operation and Development. It was approved in the Senate last week by 98-0.

Senator David Duren, one of four powerful Democrats sponsoring the legislation, insists the other industrialised countries have been increasing the percentage of their aid "going out in the form of credit" instead of in the form of cash.

He has not seen "one single change by other countries in our direction."

Also sponsoring the legislation are Senator Robert Byrd, chairman of the Senate Appropriations Committee, Senator Lloyd Bentsen, chairman of the Finance Committee, and Senator Max Baucus, chairman of the Senate subcommittee on international trade.

At the same time, AID would be forced to reduce the cash

transfers it has been making for foreign assistance to 60 per cent of its budget next year and then to 50 per cent in fiscal 1993.

Eastern Europe, which the administration has sought to establish as a "tied aid free zone" would get special attention under the legislation, although AID would not be required to make tied aid available in the region.

The legislation calls on the administrator of AID to:

- Undertake a comprehensive study of the infrastructure in eastern Europe, identifying those sectors in most need of investment.

- Establish an eastern Europe programme within the capital projects office of AID to monitor infrastructure needs and help US companies get contracts.

Under the legislation, funding for capital projects by the Agency for International Development (AID), the US foreign aid agency, would rise from \$550m (2347m) this year to \$750m in fiscal year 1992 and to \$1bn in fiscal year 1993.

These grants could be combined with financing offered by commercial banks and other private financing agencies.

At the same time, AID would be forced to reduce the cash

## WORLD TRADE NEWS

### Traders draw lessons from banana saga

John Riddings on the uneven and difficult process of opening South Korea's markets

Over the past few months South Korean consumers have been going bananas. The lifting of quotas on the fruit earlier this year prompted a surge of imports and a frenzy of consumption. Carts stacked high with bananas appeared on virtually every downtown street corner as trading companies scoured Asian and Latin American markets for more and more of the produce.

But 200,000 tons later, Korean consumers have had their fill. Demand has peaked and prices have fallen by almost 50 per cent since the start of the year. Many importers have been forced to re-export their banana cargoes, or destroy them.

"Imports are killing us," said a front page story in the Choson Ilbo, one of Korea's leading dailies. "We're floating in foreign goods of all description." But government officials reject such thinking. "Some groups worry about the effects of liberalisation but we are not going to change our policies," says Mr Yu Deuk Hwan, assistant minister for trade.

The banana saga provides a number of lessons. It shows that the process of opening Korea's markets is likely to be an uneven and often difficult process. It demonstrates to consumers that the removal of trade barriers results in lower prices. But most importantly, it shows that the process of liberalisation really is under way in Korea.

The opening of many of South Korea's markets for goods and services - from banking to banking - is one of the factors behind a sharp deterioration in the country's trade balance.

Figures released last week showed a current account deficit of \$5.84bn for the first six months of this year - the worst half-year figure recorded. Bananas alone represented \$145m of imports, almost 10 times the amount in the first half of 1990.

The rapid deterioration in the current account, which just two years ago registered a surplus of \$3.1bn, has raised concern that the banks will be applied to the liberalisation process.

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on inflation which has been heading for an annual rate of 10 per cent and which has been designated this year's number one economic problem.

The top economic policy-makers remain in favour of liberalisation. "Of course there are protectionist sentiments in some of the ministries," says one senior trade official, "but the weight of opinion in the presidential office and in the Economic Planning Board is in favour of freeing up markets."

But this is not to say that

the process of opening up Korea's markets will always be as smooth or as rapid as trading partners may like.

Although his counterparts in the US and the EC would likely agree with Mr Yu's assertion that trade relations have improved since the spats of last year, there remain several areas of friction.

Many are old chestnuts.

The dispute with the UK over discriminatory tariffs on whisky,

the demand by the EC that it be given the same protection as the US in the area of intellectual property rights and the stalemate on the opening of Korea's highly protected rice market, have all seen little progress.

At the same time, increased imports of consumer goods, particularly agricultural products, have helped keep the lid

on inflation which has been

heading for an annual rate of

10 per cent and which has been

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But this is not in line with

the prospect of increased

competition from overseas

means that it did a few months

ago, and compact disc players

are 15 per cent cheaper.

In all these steps, from

Japanese imports to opening

the distribution market, the

consumer is the obvious winner.

And the more the Korean

public gets a taste for foreign

products the harder it will be to go

back on liberalisation.

barred from South Korea.

Restrictions on imports from Japan also undermine the significance of other liberalisation steps implemented by the government. In particular, the opening of the distribution market from July 1 - which allows foreign companies to operate 10 retail outlets - is less meaningful in the light of restrictions on Japanese consumer goods.

None the less, the decision to open the distribution market shows the direction in which policies are moving.

In turn, Korean companies are reading the writing on the wall and are responding. Samsung and Goldstar, Korea's two largest electronics companies have been introducing new products and improving services.

Prices too have fallen. The removal of a special government excise tax - in response to the prospect of increased competition from overseas - means that a Goldstar Camcorder costs 15 per cent less than it did a few months ago, and compact disc players are 15 per cent cheaper.

"This is not in line with the prospect of increased competition from overseas," says a senior Korean trade official. "The Japanese complain, but they must be aware of their large trade surplus with us."

Similarly many of the Japanese consumer electronics products and cars which have flooded western markets are



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## INTERNATIONAL NEWS

**HK studies plan for rail link to China**By Angus Foster  
in Hong Kong

HONG KONG is studying proposals to build a new freight rail line from the colony's container port to China.

The railway, which would probably not be completed this century, could form an important transport link through China's southern provinces and into the country's hinterland.

The Kowloon-Canton Railways Corporation (KCR), the government-owned operator of overland rail services in Hong Kong, has appointed two consultants to examine engineering and financial aspects of the link. This follows agreement last month between Britain and China on Hong Kong's HK\$38.5bn new airport and related infrastructure projects.

The consultants will study two locations for freight terminals, one at the existing Kwai Chung container port and the other on the island of Lantau, where the new airport and future port development will be based. The Lantau option would be more expensive as it would need a bridge crossing to the new port developments, for which a rail link has already been planned.

Hong Kong is the world's second largest container port while China is the colony's biggest trading partner, taking 25 per cent of the colony's total exports and supplying 37 per cent of its imports last year.

But only about 10 per cent of cross-border trade is carried by rail as the existing line running along Hong Kong's west coast is almost fully utilised during the day by passenger trains. Most trade with China is carried by road or sea and river traffic.

A preliminary government study in 1989 dismissed the freight link as economically unviable. But with the growth of Hong Kong-China trade and moves by China to upgrade its rail system, the KCR now believes the link would be profitable.

China has been consulted but has not yet agreed to the project or indicated where a freight terminal on the Chinese side would be located.

**Police consider role for Gurkhas**

HONG KONG's police force is to consider recruiting Gurkha soldiers facing redundancy, in an attempt to stem police recruitment problems, writes Angus Foster.

Mr Tom King, British defence secretary, announced last month plans to cut the Gurkhas' strength from 8,000, of which 5,000 are in Hong Kong, to 2,500 by 1997.

The Royal Hong Kong Police Force is short of about 1,800 officers.

**Party to capitalise on Pretoria's loss of stature after Inkathagate**

**ANC presses for early start to negotiations**

By Philip Gavith in Johannesburg

THE African National Congress (ANC) has given clear notice of its desire for an early start to constitutional negotiations as it seeks to capitalise on the South African government's loss of stature in the wake of the Inkatha funds scandal.

Having previously maintained that constitutional talks could not start until the issues of exiles, political prisoners and violence had been resolved, the ANC now argues the best way to address these topics is by having an unbiased interim government in place.

This would follow from a multi-party conference, which the ANC would like to see taking place as soon as possible. The earlier demands remain, but they are no longer seen as reasons to delay the end of the tactical dominance which the government has established over the past 18 months.

The man of classical pianist is one of the most colourful members of the communist movement. Mr Kintanar returns to jail nearly three years after escaping by performing his jailer to let him out for a birthday party.

Mr Kintanar pioneered NPA urban assassinations on the southern island of Mindanao in the 1970s. In 1987 he was believed to have assumed command of the NPA.

It was not wise to "preach the start of substantive talks about a new constitution.

**S African maritime court to inquire into sinking of liner**

By Philip Gavith

THE South African government has appointed a maritime court to investigate how the Oceanus passenger liner, which was carrying 380 people, sank on Sunday.

The cause of the accident, which occurred off the Transkei coast, is not yet clear, although Mr Yannis Avranias, the ship's captain, is reported to have said that an engine piston burst, piercing a hole in the ship, and it was this which later caused the liner to sink.

Officials of the TFC group, which chartered the Greek-registered ship from Epirotiki Lines, its owner, for a cruise from East London, said yesterday that all passengers and crew were safe and accounted for.

Passengers have praised the rescue efforts of the South African air force and various merchant ships which went to the Oceanus' aid. The liner had run into trouble near Coffee Bay late on Saturday night.

However, the captain and

**Manila captures top rebel leader**By Greg Hutchinson  
in Manila

PHILIPPINE police captured the country's top communist guerrilla late yesterday in a Manila hospital.

The arrest of Mr Romulo Kintanar, chief of staff of the New People's Army (NPA), and his wife, Ms Gloria Jopson, also a party member, weakens an insurgency group which has seen 10 key figures taken into custody recently.

Better co-operation between the police and military - which has the intelligence edge - is credited for the upsurge in arrests. The Kintanar couple were seen at the Makati Medical Centre where, according to policemen, they had been undergoing cosmetic surgery.

On admission after his arrest, the 42-year-old outlaw said he was at the hospital for blood pressure and eye checks. He had puffy cheeks and wore a recent pair. According to one arresting officer who knew him from a previous encounter, Mr Kintanar had already had surgery on his nose.

The man of classical pianist is one of the most colourful members of the communist movement. Mr Kintanar returns to jail nearly three years after escaping by performing his jailer to let him out for a birthday party.

Mr Kintanar pioneered NPA urban assassinations on the southern island of Mindanao in the 1970s. In 1987 he was believed to have assumed command of the NPA.



Guerrilla chief Romulo Kintanar after his arrest yesterday. His capture is a blow to the insurgent New People's Army

**Iraq admits germ warfare tests**

IRAQ HAS admitted it briefly carried out experiments in germ warfare but said work ceased soon after the start of the Gulf crisis last year. Our Middle East Staff writes.

A Foreign Ministry spokesman said yesterday a United Nations inspection team had been informed there was a laboratory for biological research for military purposes sited within a general research establishment.

"Iraq dropped this biological research completely in autumn 1990 because of the possibility of an attack by the US and its allies," the ruling Ba'ath party newspaper al-Thawra quoted the spokesman as saying.

Under terms of the ceasefire imposed on Iraq after its Gulf war defeat at the end of February, Baghdad must declare and scrap all weapons of mass destruction.

**Up to \$100,000 payments for victims of invasion**

PAYMENTS ranging from \$2,500 to \$100,000 (500) for victims of Iraq's invasion of Kuwait have been recommended by the governing council of the compensation fund set up by the UN, writes William Dullifore in Geneva.

But Mr Philippe Berg, council chairman, said yesterday no payments could be made until the UN sanctions committee decided Iraq could restart oil exports. At present the compensation fund had no money.

Under UN Security Council resolution 687, which Iraq has accepted, Baghdad is liable to make good individual, environmental and industrial losses resulting from its occupation of Kuwait.

The Security Council stipulated Iraq must pay part of its oil revenues to the compensation fund. Mr Javier Pérez de

Shiekh Salem Abdin-Aziz al-Saud al-Sabah said the handover began early yesterday at the Iraq-Saudi border post of Arar.

All the missing billion - \$2,216 gold bars with a value of between \$600m and \$700m - had been accounted for, Sheikh Salem said.

Crucial, UN secretary-general has suggested this should be fixed at 30 per cent, but no limit has yet been set.

Mr Berg said a payment of \$2,500 would be made to any person who had to leave Iraq or Kuwait between August 2, 1990 and March 2, 1991, suffered serious personal injury, or whose spouse, child or parent had died.

For deaths or personal injury, priority would be given to larger claims for up to \$100,000 per person for loss of income, support, housing, personal property, medical expenses or cost of education.

The International Committee of the Red Cross said yesterday it wanted to obtain as quickly as possible information on the names and graves of thousands of Iraqi soldiers killed in the Gulf war.

**Kenya ruling party in threat to campaigners**

At the forum's launch last Friday, Mr Shikuku said the group of prominent dissidents wanted the restoration of democracy and human rights in the country.

But Mr Kamotho discounted their move, saying: "No sane Kenyan will subscribe to bogus forums like the one formed by Odinga."

A statement broadcast on state television late on Sunday by Mr Joseph Kamotho, Kenya African National Union (KANU) secretary-general, said last week's formation of the Forum for the Restoration of Democracy (FORD) was illegal.

Opposition parties are banned in Kenya under a 1983 constitutional amendment.

Despite the tide sweeping Africa in favour of multi-party democracy, President Daniel arap Moi has repeatedly rejected calls for pluralism.

The president has justified his opposition by saying such calls would divide Kenya along tribal lines and cause chaos.

**Boat people talks resume tomorrow**

By Angus Foster in Hong Kong

BRITAIN and Vietnam are due to resume informal talks in Geneva tomorrow on setting up internationally-managed holding centres in Vietnam for Vietnamese boat people now stranded in Hong Kong.

Hong Kong and Britain hope the centre could relieve Hong Kong's overcrowded camps and provide a way around US objections to sending non-volunteers back to Vietnam.

Police in the Eastern Cape have confirmed that an anonymous caller warned on Friday evening that there was a bomb in a wedding cake on board the ship.

TPC officials searched the ship later that night when it returned to East London from a short pleasure cruise. But they found no bomb or wedging found.

The coastal area between Port Edward on Natal's south coast and Cape Agulhas, the southernmost point of Africa, is one of the most dangerous sea routes in the world.

It is estimated that about 1,500 wrecks litter the shores. They are forced to, and that would ignite US opposition to the scheme. Few in Hong Kong believe the centres can solve the boat-people problem, since that depends on improving Vietnam's economic outlook.

More than 18,000 boat people have landed in Hong Kong this year, the most since 1989 when 34,500 arrived. Warnings have been sounded of violence in the camps and calls for the scrapping of Hong Kong's policy of "first-come, first-served", under which no boat people have been turned away. Some of the cells have been designed to please angry local opinion.

Officials in Hong Kong have always maintained first asylum would not be abolished unless the camps became unmanageable. Even then, the

Hong Kong and UK governments may be reluctant to cancel the policy because of the potential outcry, Hong Kong wants to agree with Vietnam quickly, so centres can be in place in time for April, start of the next sailing season.

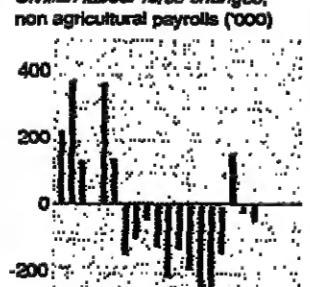
## AMERICAN NEWS

**'Double-dip' thesis gathers pace**

Michael Prowse examines the pattern of US economic recovery

**US Employment**

Civilian labour force payrolls, non agricultural payrolls (000)



thesis - the notion that the economy would decline a second time later this year - had few adherents. The consensus was firmly in favour of sluggish but steady recovery:

growth of 2.3 per cent rather than the 5.7 per cent typical in the first year of US recoveries.

But confidence was eroded by a series of weak statistics. The economic rebound in the second quarter was milder than expected: real gross national product grew at an annual rate of 2.8 per cent, having fallen at 2.8 per cent and two per cent in the preceding two quarters. Factory orders - a leading indicator of production - unexpectedly fell in June.

Consumer confidence slipped last month, having moved sideways since rebounding at the end of the Gulf war. A steady decline in claims for unemployment insurance began to reverse in mid-July, raising doubts about job prospects.

Friday's employment report crystallised these doubts. The drop in the unemployment rate from 6.8 per cent to 6.7 per cent in June gave a misleading



impression of underlying trends. The worry was not just a 51,000 drop in non-farm jobs (following a 21,000 contraction in June) but a shrinkage of the average work week, from 34.5 hours to 34.1 hours. The length of the work week is regarded as a reliable indicator of business activity.

But real data, while disappointing, by no means guarantee an economic decline.

Employment has often fallen in one or two months following the onset of recovery.

The declines in June and July, however, were too small to be significant. The fairest interpretation of events is that the labour market has stabilised after a sharp contraction in the winter and early spring. Meanwhile other statistics remain mildly encouraging.

The purchasing managers' index - a closely-followed gauge of industrial activity - rose in July for the sixth consecutive month. The Commerce Department's composite index of leading indicators so far provides no hint of a "double dip": in June it registered its fifth successive monthly increase. Industrial production has risen three months running. Sales of new homes rose sharply in July, suggesting that the housing recovery is still underway.

But the increasing pressure being brought to bear on the Fed suggests the confidence is only skin-deep. Credit constraints continue to bite in some sectors and regions. State and local governments are busily retrenching. Personal savings rates are very low, making a sustainable recovery of consumption wholly dependent on employment growth - which is stubbornly negative.

Prices this year have risen 7.4 per cent, although the rate of increase slowed sharply in April when Argentina adopted anti-inflation legislation that tied the exchange rate to the US dollar.

**Contracts for F-22 fighter**By Martin Dickson  
in New York

THREE aerospace groups - Lockheed, Boeing and General Dynamics - were yesterday awarded a \$9.55bn (25.7bn) contract for development of the F-22, planned to be the next generation of radar-evading US jet fighter aircraft.

Lockheed and its partners were selected by the Air Force to develop the F-22 in April, defeating a team led by Northrop after a five-year competition. The contract could ultimately be worth \$35bn, which would make it the largest yet defence deal.

Lockheed said the initial contract called for refinement and completion of the aircraft's internal and external configuration and production of nine single-seat and two tandem-seat aircraft. The first flight of the initial aircraft is scheduled for mid-1995.

The monthly inflation rate in Argentina tumbled to a five-year low of 2.6 per cent in July, compared with 3.1 per cent in June, the government has announced, writes John Barham in Buenos Aires.

This follows efforts by Mr Domingo Cavallo, the economy minister, to balance the budget and avoid printing money to finance overspending.

Prices this year have risen 7.4 per cent, although the rate of increase slowed sharply in April when Argentina adopted anti-inflation legislation that tied the exchange rate to the US dollar.

Mr Mohamed Mulla, chairman of Intelsat's board of governors, praised Mr Burch for his "wise and pragmatic leadership over the past four years". President George Bush hailed him as a "personal adviser and counsel" for many years who had helped in political campaigns. In "governing and in various aspects of our family life".

Mr Burch, a conservative Republican lawyer, came to prominence when most of the party was more moderate. He headed the Republican National Committee during the disastrous presidential campaign of Senator Barry Goldwater in 1964. He later became a counsellor to presidents Richard Nixon and Gerald Ford.

**Homicide risk in US has doubled over 30 years**

Senate detects rise in murders

By Peter Riddell, US Editor, in Washington

NEARLY 24,000 people are likely to be murdered in the US this year, a slight increase on 1990 and continuing the upward trend of the past four years.

A Senate judiciary committee report predicts, on the basis of first-half trends, that 23,700 people will die in 1991, an increase of 200 over the previous year.

There is a slight, uneven geographic pattern, with 21 states showing a decline and 18 states showing a rise.

There is no direct correlation between the availability of guns and

murders, says the report.

The risk of being murdered

has doubled over the past 30 years but the forecast rate for 1991 - 3.5 per 100,000 people - is short of the record of 10.2 set in 1980.

The highest rate is in Washington DC where murders average more than 80 per 100,000 people.

The senator argued that these projections underlined

## OBITUARY: DEAN BURCH

**Republican and Intelsat chief**

## BANK FOUNDER

## Raid reported at Abedi's London home

By Andrew Jack

THE LONDON home of Mr Agha Hassan Abedi, the founder and former president of BCCI has been raided by officials investigating allegations of fraud in the bank.

According to sources close to the family, the officials visited the house in north London last Friday evening and took away a suitcase of documents in a move which appears to throw Mr Abedi back into the spotlight.

The sources believe the raid was conducted by the Serious Fraud Office. The documents are likely to have been taken to the SFO's headquarters in central London for examination.

The SFO, which announced that it was launching an investigation into BCCI on July 8, would neither confirm nor deny the raid. "We do not comment on operational matters," it said.

The files taken away are believed to include information on BCCI and IICM, the Cayman Islands group controlled by

BCCI. The suitcase is believed also to have contained minutes of meetings between Mr Abedi, Mr Swaleh Naqvi, former chief executive officer of BCCI who is currently in Dubai, and Mr Zafar Iqbal, Mr Naqvi's replacement, which put Mr Abedi's views on record.

Friends of the Abedi family insist that the bank's founder, who lives in Pakistan, knew nothing about the alleged fraud and that he is the victim of others within the bank.

Mr Abedi's house, which has a 24-hour guard, is at the end of a short cul-de-sac in Hornton-on-the-Hill. One neighbour said several unmarked white cars which she believed contained police had visited the house over the past few weeks.

The Bank of England notified the SFO of concerns about BCCI only when it closed the bank on July 5. It then passed a series of documents on to SFO officers.

SFO inquiries tend to focus on a small number of large and complex suspected frauds.

## SHORT-TERM DEPOSITORS

## Company fears the loss of £1.5m pension trust fund

By Chris Tighe

AN ASIAN company fears it may have lost its entire £1.5m pension trust fund which was on deposit with Bank of Credit and Commerce International at the time of the bank's closure.

The Bhullar family, owners of Leeds-based Wetherby Fashions Ltd, invested the money for a short-term period to take advantage of BCCI's above-average interest payments.

The £1.5m represented much of the profits of the 15-year turnover company, founded 15 years ago by Mr Kewal Singh Bhullar.

Any employee who stayed with the company until retirement would have been eligible for pension payments from the fund, a non-contributory scheme, but the main beneficiaries would have been the Bhullar family.

The first victim of the possible loss is Mr Bhullar senior, the 62-year-old founder of the wholesale clothing company, who retired two years ago. The pension payments he had been receiving from the fund have now stopped.

"It's been a very bad blow after all the hardship we've had; we have worked very

hard," said Mr Bhullar's son Ajnair "John" Bhullar, the managing director.

The family said they had been devastated to hear of BCCI's closure. "It was a very sad occasion."

Wetherby Fashions' business account is with National Westminster Bank, so the company's daily operations are unaffected by BCCI's closure.

The business made a one-off payment each year into the pension fund, which was moved between banks to benefit from higher interest rates.

The money, previously held in National Westminster Bank, had been placed with BCCI for nine months and was due to be moved on August 1.

Mr John Bhullar said the family were still trying to recover from the shock of their possible loss.

However, with business continuing as usual, he said he is confident that he and his father would not be forced to sell their cars with personal number plates - a cream Bentley for Mr Bhullar senior and a silver Mercedes for his son.

"Touch wood, things aren't that bad yet."

## ASIAN BUSINESSES

## Entire community is hit by closure

By Chris Tighe

VIRTUALLY no Asian business in Britain has escaped the adverse effects of the BCCI closure, says Mr Narang Singh, founder and proprietor of one of the community's biggest businesses.

Mr Singh, who operates a cash-and-carry warehouse in Bradford and a wholesale fabric company in Hayes, west London, can count himself lucky - he kept his main business account with Yorkshire Bank. Unlike many much smaller entrepreneurs in the Asian business community, therefore, he can continue trading as usual. He can also withdraw the loss of part of the £22,000 he had in a BCCI account.

But his £15m-a-year turnover business, Narang Singh Ltd, is still affected by the bank's closure. Many of its customers banked with BCCI and are now suffering serious cashflow problems.

"There's nobody in the Asian community who isn't affected, directly or indirectly," he says. Some people, he adds, have also seized on the BCCI closure as an excuse for deferring payment.

Mr Singh's 15-year-old business is typical of many Asian enterprises in dealing widely with other members of the Asian community. He attracts customers - very many of them small shopkeepers - from a 20-mile radius around Bradford. Many of them have been affected. "They have come and asked for extended credit," says Mr Singh. Do they get it? He smiles a little wearily. "It's part of the game."

Mr Singh, who employs 70 people, is confident his business will not suffer as a result

## TOKYO

## Emergency support for Japanese credit union

By Stefan Wagstyl in Tokyo

THE CLOSURE of BCCI has forced a small Japanese credit union to seek emergency support from two larger financial institutions.

The move is the most significant effect so far of the BCCI affair in Japan. Other depositors at the Tokyo branch of BCCI included big companies which seem large enough to absorb their losses.

Tokyo Shogin Credit Cooperative, which carries largely for Korean living in Japan, disclosed it had a Y12.5bn (523.5m) deposit at BCCI's Tokyo branch, which was closed at the same time as most of the rest of BCCI's worldwide operations.

In order to maintain depositors' confidence, Tokyo Shogin said it had arranged a line of credit from Daiwa Bank, a leading commercial bank, for Y17.5m and with the National Federation of Credit Co-operatives, the umbrella organisation of credit unions, for Y10m.

The support is a typical Japanese-style rescue in which stronger institutions rally around a weaker one.

## WORLD ROUND-UP

## Bangladeshi protesters demand money back

The Indian Express newspaper reported on Saturday that the Senate sub-committee investigating BCCI was told that some Indian businessmen and aides of Mr Gandhi held tens of millions of dollars in secret accounts with the bank.

EGYPT: The Egyptian central bank has dissolved the board of a BCCI affiliate and installed an administrator to try to shore up confidence in the local bank which has been hit by a run on deposits.

Mr Abdel-Ghani Gamie, head of Egyptian-American Bank, said yesterday that his task as administrator was to protect the interests of depositors in the Bank of Credit and Commerce Misr (BCCM), which he described as "solvent".

Depositors have drawn some \$15m from BCCM, which is 51 per cent Egyptian-owned, in early July after reports of massive fraud involving the Luxembourg-based BCCI.

The move followed the establishment of a voluntary compensation scheme for BCCI depositors and employees in the UK funded by BCCI's majority shareholders, Abu Dhabi ruler Sheikh Zayed bin Sultan al-Nahyan and the Abu Dhabi government.

Meanwhile, the Dutch central bank denied that it had asked Abu Dhabi to compensate BCCI depositors in the country.

representatives

of seven local banks

last Thursday.

One

of the bankers at the

meeting said: "We were given

10 days to decide whether any-

one wants to make an offer.

Whoever bids most will get it."

Bankers

say a sale is possi-

ble - because unlike BCCI

branches in many other coun-

tries, the branches in Jordan

are solvent.

The

branches have total

assets of JD75m (295.5m) and

outstanding liabilities of

JD20m.

LUXEMBOURG: The coun-

try's Monetary Institute has

asked Abu Dhabi to compen-

sate BCCI depositors in the

Grand Duchy where the scand-

al-hi bank was based, Reuter

reports.

Mr Jean Guilli, institute

director, said yesterday: "We

sent a fax to Abu Dhabi last

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The

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offer at a meeting with repre-



Sit down: BCCI depositors at the rally in Dhaka yesterday

**Relish every second.**



 Buying a Bentley right now could be the best business decision you make this year. Take the opportunity and visit your authorised distributor.

ROLLS ROYCE

## UK NEWS

## HEALTH

### US-owned hospital to cost £180m

PLANS to build a large US-owned private hospital in Scotland took a further step forward yesterday amid protests from opposition MPs.

Mr Ian Lang, Scottish Secretary, announced the £180m, 260-bed hospital will open in Clydebank, near Glasgow, in four years' time, creating up to 4,000 jobs.

The venture, which was first announced four years ago by Heath Care International, is planned as a high-technology operation for overseas patients only.

It will be run along the lines of a teaching hospital and will employ large numbers of consultants and physicians from the US and Europe.

But Mr Alex Salmond, leader of the Scottish National Party, demanded the government disclose how much public money had gone into the venture.

Mr Salmond said: "This hospital will be a constant reminder of how inadequate the NHS has become, compared with what money can buy for the rich."

Mr Charles Kennedy, the Liberal Democrat health spokesman, said the hospital could lead to a fragmentation of the national health service.

The hospital is modelled on his US university teaching hospitals, offering the latest facilities to patients from Europe and the Middle East.

### IRA escape came five months after police warning

By Ivo Darnay, Political Correspondent



A DAMNING analysis of last month's escape by two Irish Republican Army suspects from Brixton jail in London has disclosed that police warned the prison authorities of a break-out plan five months earlier, according to the official report published yesterday.

The inquiry, conducted by Judge Stephen Tumim, the chief inspector of prisons, revealed that police has alerted Brixton in February that the two high-risk category 'A' prisoners would attempt to obtain a firearm and would use a Sunday service at the prison chapel as their opportunity to escape.

In the event, this was exactly what happened.

The Tumim report also catalogued at least six other failures ranging from inadequate perimeter security to poor communications.

But yesterday's disclosures stopped short of blaming prison policies for the escapes. "The errors of judgment which resulted in the opportunity for escape were indeed operational failures and not failures of policy," Judge Tumim concluded.

Presenting the findings yesterday Mr Kenneth Baker, the home secretary, said that he had considered resigning in the wake of the July 7 escape. But he had similarly concluded there was "no question" of resignation as the failures had been operational.

Despite this claim, Mr Rob-

### Tories pursue health reforms

By Alan Pike, Social Affairs Correspondent

THE government yesterday stepped up efforts to make all hospitals in England self-governing trusts with a call to managers throughout the state-run National Health Service (NHS) to join a "gathering momentum of change".

A second wave of 113 hospitals and other services have applied to become trusts from next April - joining the first wave of 57 trusts which have been managing their own affairs since this April.

Mr Stephen Dorrell, junior health minister, yesterday wrote to all remaining eligible hospitals and services urging them to consider joining a third wave of trusts from April 1993.

Mr Dorrell's letter shows the government wants the trusts - which are run by their own directors with freedom from health authority control - to become the standard form of local NHS management. It also reflects political determination to maintain the momentum of this year's health reforms through the general election campaign, even though opposition parties believe the government is vulnerable on health policy.

By next April about one-third of NHS services in England will be run by trusts and Mr Dorrell says in his letter he is "confident" that the third wave will result in the majority of NHS activity having been restored to local management and control.

Critics fear that competition between trusts will lead to bad-



Seeking change: St Thomas' Hospital, opposite parliament, wants to manage its affairs

ly-balanced health care provision. This is a particular problem in London where four more of the capital's teaching hospitals - St Mary's, King's College, St Thomas' and St Bartholomew's - joined the list of applicants yesterday.

Managers interested in joining the third wave of trusts have to express interest to the Department of Health by September 15. Community health and ambulance services, as well as hospitals, are eligible to apply.

Mr William Waldegrave, health secretary, will decide in the autumn whether of the 113 hospitals and other services among the second wave applicants should be allowed to become trusts. Coopers & Lybrand Deloitte, the UK accountancy firm, has been retained to advise on the financial aspects of the applications, but critics have accused the government of ignoring evidence that a number of first-

wave applicants faced financial difficulties.

Opponents of trusts say they will be used to fragment health care provision and run the government's new internal market system of funding health care on more competitive, commercial lines.

The decision to press ahead with more trusts comes within a fortnight of a decision to begin operating the internal market on more competitive lines from next April.

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# A CELEBRATION OF 25 YEARS OF ABU DHABI

Under

His Highness Sheikh Zayed bin Sultan Al Nahyan, President of the United Arab Emirates

WHEN Sheikh Zayed bin Sultan al Nahyan became the ruler of Abu Dhabi exactly 25 years ago today, it would have taken the most talented of fortune-tellers to predict the changes that lay ahead. In this period, Abu Dhabi has been transformed from an impoverished, tribal society into a modern, industrial state. A people who had to struggle to get even the basic necessities of life now want for nothing. Education, health care and a range of social services are all provided by the Government. Domestically Sheikh Zayed has encouraged the emergence of one of the most tolerant societies in the Middle East. And as president of the United Arab Emirates, he has given Abu Dhabi, and the other smaller emirates, a far higher profile in the international arena. In short, on the anniversary of his 25th year in power, Abu Dhabi has much to celebrate.

*Turn to next page*



ABU DHABI NATIONAL OIL COMPANY  
ADNOC - 20 YEARS OF PROGRESS

On June 5 1971, the Abu Dhabi Supreme Petroleum Council was established by Amiri Decree under the chairmanship of HH Shaikh Khalifa Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi. The formation of the SPC consolidated the Department of Petroleum and the Board of Directors of ADNOC into one organisation, which is responsible for formulating oil and gas policy in the Emirate and overseeing the operations of Abu Dhabi's oil and gas industries.

ADNOC was established by the Abu Dhabi Government on November 27 1971, to operate in all areas of the oil industry both at home and abroad. ADNOC was given the responsibility of implementing government policy, which aimed at exploiting Abu Dhabi's hydrocarbon resources in a manner which best serves the interests of the Emirate.

Key areas of this policy, still in force today, include plans to explore the entire area of Abu Dhabi, maintaining the production capacity of the producing fields without damaging the reservoirs and developing the more complex structures in the country.

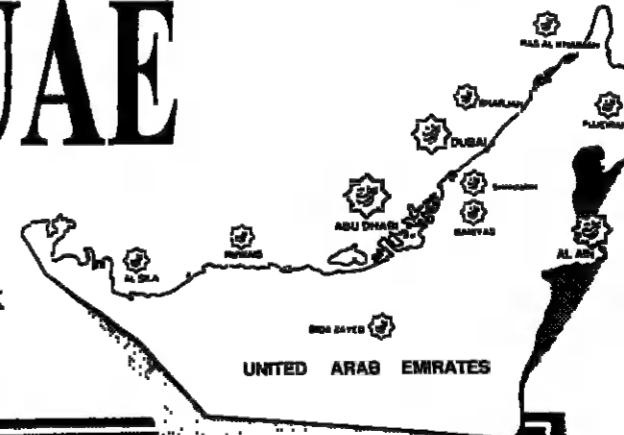
In order to fulfill its assignment, ADNOC has, since its establishment, moved into many areas of the industry associated with oil production, forming several operating service companies. Some were joint ventures, while others were wholly owned by ADNOC.

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■ From first page

**O**il is obviously the key to Abu Dhabi's prosperity. Perhaps a good illustration of how quickly the emirate has developed is to quote the British traveller Wilfred Theesiger's description of Abu Dhabi town in 1948.

"A large castle dominated the small, dilapidated town which stretched along the shore. There were a few palm trees, and near them was a well where we watered our camels."

Today Abu Dhabi is a thoroughly modern city. Gleaming tower blocks dominate the skyline. Smoothly tarmaced roads criss-cross the city. And the Corniche, the fountain and palm tree-studded promenade along the seafront, rivals anything to be seen in French or Italian Rivieras.

Oil revenues virtually guaranteed Abu Dhabi's prosperity. But the money had to be wisely spent – and Sheikh Zayed did just that. Within months of his coming to power, on August 6 1966, he began setting up the cradle-to-the-grave welfare system which looks after his people so well.

Abu Dhabi's emphasis on using its wealth for industrial diversification and heavy investment in the oil industry have fashioned a very resilient economy which easily coped with the demands put upon it during the Gulf crisis. Over the past 20 years Abu Dhabi has expanded into a variety of upstream and downstream activities, including gas gathering, liquification, 7777 refinery expansion and the acquisition of a large tanker fleet.

On the industrial front, the General Industrial Corporation, established in 1969, has promoted development outside the oil sector. Abu Dhabi has some profitable light industries, including building materials, cement, printing and furniture firms.

The emirate also has a thriving port, Mina Zayed, on the north-east tip of Abu Dhabi Island, which opened in 1982. Total throughput at its modern container terminal has more than doubled in recent years. And it is building a re-export business which is beginning to rival Dubai.

Economically Sheikh Zayed believes that blocks such as the European Community will come to dominate world trade in the years to come. He thinks that the best policy for Abu Dhabi and the UAE in the future is to insist on greater co-operation among the Gulf Co-operation Council countries: "The strength of the Gulf lies in its economic unity which represents the real challenge before the Gulf man to assert his true position. Economic power is the true yardstick of Gulf autonomy."

As Abu Dhabi has grown richer during Sheikh Zayed's rule, the Emirate has never forgotten its wider responsibilities. Abu Dhabi has always had, from the early years of its oil wealth, a very generous aid programme. In 1971 the Abu Dhabi Fund for Economic Development, with a capital base of 2bn dirhams, was set up. Its aims were to provide soft term loans and grants to the developing countries.

Today the Fund boasts a total capital base of more than 4bn dirhams, and has helped finance nearly 120 projects with a total value of 8.6bn dirhams. The range of products includes roads, dams, agriculture and rural development, water and electricity and housing as well as tourism projects, hotels, and small and medium sized industries. The number of countries which have received aid include Tunisia, Somalia, Yemen, Jordan, Syria and Egypt.

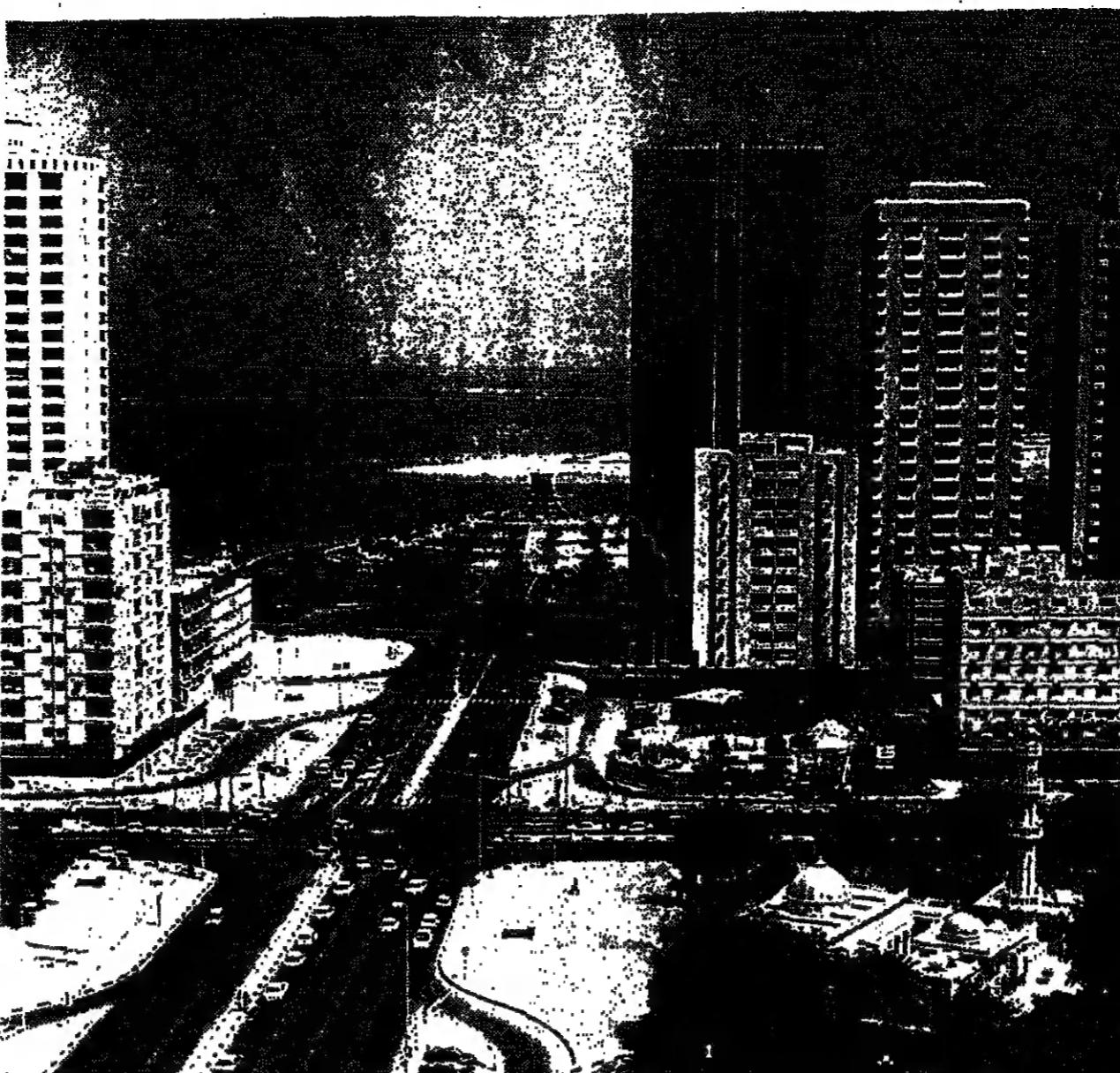
In foreign affairs Abu Dhabi has put its full weight behind the UAE. The watchwords of the UAE's foreign policy under Sheikh Zayed's presidency have been even-handedness, co-operation and peaceful co-existence. The UAE was one of the founding members of the Gulf Co-operation Council, formed during the Islamic summit in Taif in early 1981. The GCC, which has its own secretariat and ministers, held its first conference in Abu Dhabi, under the chairmanship of Sheikh Zayed, in May 1981.

The UAE has relations with over 60 countries. In 1985 the UAE established diplomatic links with the USSR. The UAE was also the first Arab country to re-establish ties with Egypt. During the Iran-Iraq war, the UAE, true to its role as a regional mediator, remained neutral.

Iraq's invasion of Kuwait, in August last year, came as a great shock to Sheikh Zayed, who has always believed in Arab brotherhood. However, the UAE had no hesitation in backing the Allied Coalition. It provided facilities for the Allied navies and paid a substantial amount to its Western allies to help cover the cost of the war.

The UAE is anxious to see Western countries, such as the US, France and Britain, involved in the new security arrangements for the Gulf region under discussion. And Sheikh Zayed, having always been a strong supporter of the Palestinian cause, is also keen not to miss the chance of settling the Arab-Israeli conflict. Helping to finally bring stability and peace to the Middle East would be a fitting accolade to Sheikh Zayed's 25 years as ruler of Abu Dhabi.

## Human face of the father of his people



Modern Abu Dhabi is a bustling testament to 25 years of progress

**T**HERE CAN BE no starker contrast to the norm in the volatile region of the Middle-East than the rule of Sheikh Zayed bin Sultan Al Nahyan, president of the United Arab Emirates (UAE) and ruler of Abu Dhabi. Today Sheikh Zayed celebrates 25 years as Abu Dhabi's head of state. It has been a period of stable government and solid achievements.

During his rule, Sheikh Zayed has brought Abu Dhabi into the 20th century, been the prime mover behind the creation of the UAE, and ensured that Abu Dhabi's oil wealth is used for the benefit of all his people. The qualities noted by Wilfred Theesiger, the famed Gulf traveller and author, more than 40 years ago have served Sheikh Zayed well as he has worked over the past quarter of a century to modernise Abu Dhabi and to give the UAE a voice in world affairs.

"He was a powerfully built man of about thirty with a brown beard. He had a strong, intelligent face, with steady, observant eyes, and his manner was quiet but masterful... I had been

looking forward to meeting him, for he had a great reputation among the Bedou. They liked him for his easy informal ways and his friendliness, and they respected his force of character, his shrewdness and his physical strength."

Sheikh Zayed was born the son of Sheikh Sultan bin Zayed Al Nahyan. Sheikh Sultan himself was the son of Sheikh Zayed bin Khalifa, who reigned long and peacefully from 1855-1908. He built Abu Dhabi into the most powerful emirate in the lower Gulf and is often referred to as Zayed the Great.

In his early years, as he grew to manhood, Sheikh Zayed spent much of his time in Al-Ain. He learnt to shoot, ride and enjoyed hunting with falcons. He also began to attend the Majlis (a type of informal parliament) of his father, who had become ruler in 1822, and continued until his death in 1925. At first hand Sheikh Zayed began to appreciate the problems of the Bedou and to understand the realities of political life.

In 1926 Sheikh Zayed's elder brother Sheikh Shakbut became

the ruler of Abu Dhabi, ushering in a new period of stability in the Emirate. Over the next 20 years Sheikh Zayed spent most of his time travelling, helping to settle local tribal conflicts, talking with local sheikhs and developing a deep faith in Islam. His faith is the backdrop to his political reforms. This is clear from Sheikh Zayed's comments in Abdul Rahman Ziyad's book *Zayed bin Sultan: A Life of Achievement*.

"Those who want to reform the nation by ways other than religion sow a seed on alien soil. Consequently the seed cannot get nourishment and will be spoiled, in spite of the fact that the seed has no defect in itself."

In 1948 Sheikh Zayed, despite being only around 30, was appointed Governor of the Eastern Region of Abu Dhabi. He quickly added to his reputation as a problem-solver and efficient administrator. The next 10 years were a challenging time. Sheikh Zayed had to maintain the traditional tribal alliances at a time when the revenue from the pearling industry, the Emirate's main source of income, was declining.

However, Abu Dhabi's future was soon to be transformed. In 1958 Abu Dhabi Marine Areas, a group of foreign oil companies, led by BP, found the first commercial oilfield at Umm Shafra. The following year another field was discovered in Murban. ADMA built a terminal on Das Island, and the first export oil left the terminal on July 3, 1959.

Abu Dhabi's newly-found oil wealth raised the Emirate's stature in the world. However, Sheikh Shakbut was reluctant to spend the money. In 1965 tribal chiefs urged Sheikh Zayed, who was regarded as more modern and forward-thinking than his brother, to take over from his brother. He told them to be patient. About one year later, on August 6 1966, Sheikh Zayed became the ruler of Abu Dhabi.

He soon made clear what principles would guide his use of Abu Dhabi's oil wealth: "Money is of no value unless it is used for the benefit of the people. God has bestowed this oil wealth upon us. It is our duty, in thanking him, to utilise this wealth in reforming the country, in bringing prosperity to its people by building a society where education, medical care, housing and food be available to every individual of our society."

Within a few months of his accession a range of new departments were set up, covering education, health and public works. New roads were planned and Sheikh Zayed was able to continue with a policy which will always be regarded as the most visible of his rule: the greening of Abu Dhabi.

Ever since his early days in Al-Ain Sheikh Zayed had been interested in agriculture and afforestation. During his rule millions of trees, plants and flowers have been planted. There are now many forests around Al-Ain, and the municipality of Abu Dhabi is full of exotic flowers, multi-coloured fountains, tropical trees and litter-free grass. It is said he was inspired by the description of Paradise in the Holy Quran:

"There shall be palm trees and pomegranates, fountains and pleasant gardens beneath which rivers flow."

The readiness of Sheikh Zayed to share Abu Dhabi's oil wealth with neighbouring emirates helped settle a number of border disputes and laid the foundations of the federation which he thought was necessary for the emirates' mutual security.

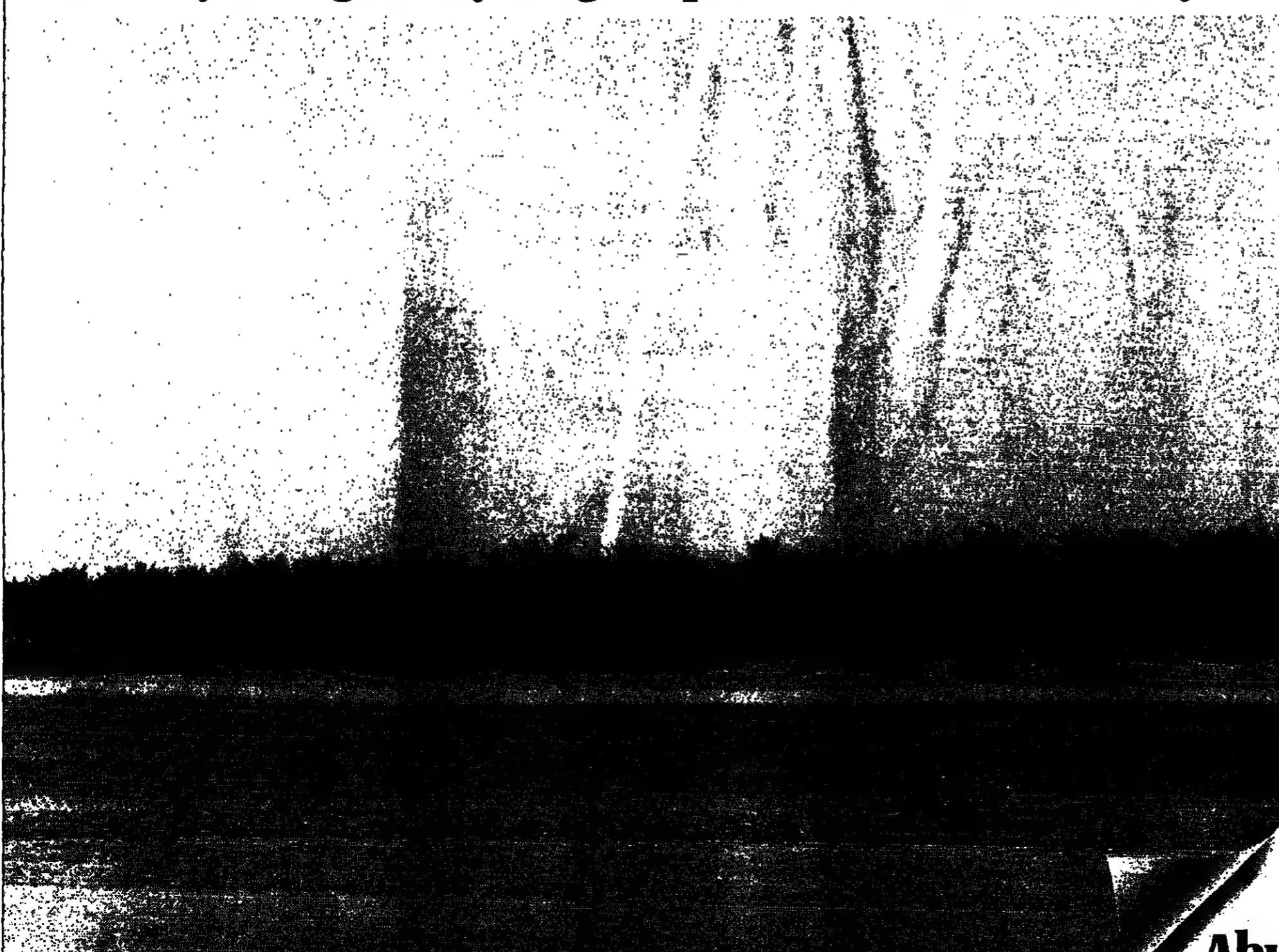
In 1971, Sheikh Zayed's dream was finally realised when the emirates of Abu Dhabi, Sharjah, Ajman, Umm-Al Quwain, Dubai and Fujairah came together to form the United Arab Emirates. In early 1972 Ras Al-Khaimah became the UAE's seventh member. Sheikh Zayed was unanimously chosen as the UAE's first president.

Zayed soon pushed the UAE into the heart of world affairs. Within weeks of being elected president he steered the UAE into the Arab League and membership of the United Nations quickly followed.

Throughout the Gulf crisis the UAE was a strong supporter of the Allied Coalition which defeated Iraq and brought peace back to the Gulf region. During these difficult times Sheikh Zayed displayed all the qualities the author, Abdul Rahman Ziyad, noted as his final judgment on the man:

"He possesses to a supreme degree a deep and lively sense of reality in politics, especially in Arab circles. A gifted tactician, throughout his life he has shown himself a born leader of men, where necessary a soldier, a capable administrator, and a chivalrous opponent. He is wise, tolerant, generous and capable of seeing far beyond his own time."

## The only thing likely to get spoiled around here is you.



**I**n Abu Dhabi we are very zealous about protecting the natural beauty of our country. Even areas where there were miles and miles of desert have now been converted to lush green gardens and parks with millions being spent on these projects.

But we have added nothing to our mile upon mile of palm lined beaches. They remain as splendid as they always have been. It's a great feeling to relax on these beaches, soak in the sun and be lulled to sleep by the gentle sounds of the sea. Or if you prefer, at one of the many 5-star beach resorts, pampered by the discreet yet efficient attention of the hotel staff.

Then there are the exciting wadi bashing\* desert safaris. Deep-sea fishing off the coast for gigantic black marlin. Sensational shopping bargains in an ultra-modern city. The warmth and charm of Arabia...

Abu Dhabi. A remarkable new destination. Accessible by air from major world cities. Ask your travel agent for details, or write to the address below.

\* Wadi: a desert rivulet fed by a spring, often found in the rocky terrain between stretches of desert. An adventure trip to these regions on a four-wheel drive vehicle is commonly referred to as wadi bashing.

**Abu Dhabi**  
A great new destination unfolds

# Mystique and magic in a desert playground

ABU DHABI's reputation as a first-class tourist resort is well established. The past five years of developing recreational facilities, promoting the Emirate at international fairs and among travel agents has paid off. Tourists from all over the world now flock to Abu Dhabi to experience the Emirate's unique mixture of beautiful beaches, excellent sports complexes, desert safaris and luxury hotels.

"The Riviera of the Gulf is how we are known," said Abdullah Al Al-Saadi, deputy general manager of Abu Dhabi National Hotels Company (ADNHC). "But we offer much more than just good beaches and hotels. There is a mystique about the desert that many tourists find irresistible."

The tourist season in Abu Dhabi is from October to April, when the temperature cools down to a comfortable 20° to 30°C, from the scorching heat of July-September, which reaches a peak of above 45°C. The Gulf crisis obviously halted any tourist travel last year. However, Abu Dhabi is looking forward to a good season in 1991 now that peace has returned to the region. "Perversely, the Gulf crisis has given us a higher profile. Many more people are curious about the way of life here and want to come and experience it for themselves."

Government officials have a very clear idea of how they would like to see tourism develop in the Emirate. There is no desire for mass, package holiday-style tourism. Abu Dhabi's infrastructure simply could not cope. Instead, Emirate officials want to attract the wealthier, middle to upper income traveller, particularly from Europe. So far visitors from Switzerland, Austria and Germany have made up the bulk of tourists visiting Abu Dhabi for a winter break.

Tourism officials are also keen to exploit niche areas, such as company incentive schemes. Many big international firms reward top-performing executives and salesmen with short holidays in exotic locations. "I think we have a lot to offer companies looking for something different," said Houssem Tanawi, manager of Sun Shine Tours, a subsidiary of ADNHC. "Abu Dhabi is a good spot, only about seven hours flying time from Europe. We have a lot of exotic locations and there would be no need for companies to worry about their top executives' safety here."

One of the main attractions about Abu Dhabi is that it is very easy to reach. Most of the world's top airlines fly to the Emirate. Gulf Air and the Dubai-based Emirates Airline fly to a wide range of international destinations. Abu Dhabi's international airport is less than 10 years old and can handle around 6m passengers a year. There is also a study under way on the feasibility of adding a second runway.

As tourists arrive in the airport they will see one of the best duty free outlets in the world. The duty free concession first opened in 1986 and has won a string of marketing and management awards.



Stylish boats lie at harbour amid the UAE's greenery: the Emirates hold many pleasures for the traveller

There are about 16 shops in the airport selling more than 18,000 items, including gold, pearls, perfume, electronics and cigarettes. Prices are very competitive and some items are even sold at cost. "Unlike many of our competitors at other international airports, we do not pay rent here, so that allows us to pass the benefit on in terms of cheaper prices for customers," said Mohammed Mounib, general manager of Abu Dhabi Airport Duty Free.

Soon tourists will be able to visit a duty free shop in the centre of Abu Dhabi, decide what they want to buy, pay for it in the shop and then pick up their goods when they fly out from the airport at the end of their holiday.

In deciding where to stay in Abu Dhabi, tourists can choose from an array of international hotels and purpose-built guest houses. ADNHC oversees the running of seven hotels, managed by

international chains, the Sheraton, Hilton and Meridian in Abu Dhabi.

The latest addition to the company's stable is the Al Jazira Hotel, it is being built near the coast, about halfway between Dubai and Abu Dhabi, and will be ready for the start of the tourist season later this year. A 6.5km channel has been dug from the sea to surround the hotel, so it actually stands on its own island. When it is finished, there will be 65 rooms in the hotel and 50 chalets near the beach. To take them to the beach, guests will be transported by a traditional Arab shaw. The hotel's gardens have been designed and landscaped by experts working for the ruler of Abu Dhabi, Sheikh Zayed bin Sultan Al Nahyan.

All the hotels run by the ADNHC have excellent sports and recreational facilities including, in many cases, tennis, squash

and health clubs. The Inter-Continental Hotel has a beautiful marina where you can see every kind of boat, from classic yachts to speedy motor cruisers. Water and jet skiing are very popular. A popular pastime for tourists is to take a cruise beginning at the Inter-Continental marina, passing gently along the Abu Dhabi skyline, along the Corniche and then stopping at one of Abu Dhabi's beautiful islands for a barbecue.

Ice skating has also caught the imagination of tourists and local people. The rink at Zayed's Sports City can be used by more than 400 skaters daily. However, the latest craze among tourists is sand skiing among the dunes of the Liwa oasis and others only a couple of hours drive from Abu Dhabi city. Liwa is one of the most popular destinations for tourists. It is easy to reach, as it is connected by a modern dual carriage-way, which makes access to the beautiful oasis simplicity itself.

The oasis is surrounded by a couple of towns, including Medina Zayed and Al Mariyah. The Liwa itself forms a crescent shape and has slightly dark, but drinkable, water. Close to the town of Medina Zayed is a vast expanse of land covered with palm trees. This is Sheikh Zayed's 100 Palm Project. Here thousands of date palms are grown, first as saplings and then matured until they produce fruit.

Al-Ain, in the eastern part of the Emirate is Abu Dhabi's second city and is also a popular destination for tourists. Al-Ain's camel market is the last of its kind in the United Arab Emirates and attracts traders and customers from all over the UAE. Friday is the best day to visit the market, when the dealers bring their herds to be sold.

Al-Ain's museum is in the centre of the city, in the grounds of an old fort built some 100 years ago. It was in this fort that Sheikh Zayed bin Sultan Al Nahyan's father was born. The fort is full of the findings of archaeologists who have been excavating in the regions north of the city.

Just outside the city is the small oasis of Burial, which has many beautiful crumbling old buildings set among exotic palm trees. Burial has a famed souk and cool, green gardens. Nearby is the Hill archaeological site, which has some fascinating finds. There is also an amusement park for adults and children.

Probably Al-Ain's most famous attraction is its zoo. It has a wide range of animals on display and is also the centre for important breeding and conservation projects aimed at helping endangered species. For panoramic views there is no better spot than the Hail mountain, which gives a superb view over the entire Al-Ain area.

Less curious tourists can just tour Abu Dhabi's splendid shopping centre, visit the many cultural museums or simply take a trip out to the desert, spend a few nights under the stars, and get away from it all.

## How oil drives the nation

ONCE upon a time the heart of the Abu Dhabi economy was the oil fields. Now there is only desert and a few houses along the seashore in Abu Dhabi city. Now there are rows of tower blocks. Light industries are flourishing. And the Emirate's boundaries oil revenues have given the people a welfare system unrivaled in the world.

The Gulf crisis certainly put a strain on demand, as even Abu Dhabi's large oil fields. Production had to be increased to make up for lost supplies from Iraq and Kuwait, existing contracts had to be fulfilled, while the oil fields themselves had to be rigorously serviced. However, the oil industry coped well with the challenge.

Abu Dhabi's senior oil industry officials are determined to capitalise on the momentum built up during the Gulf conflict. "Given the impetus provided by the crisis, I think we now have a very good opportunity to expand in all areas, including crude oil production, refining and gas generation," said a senior executive at the Abu Dhabi National Oil Company (Adnoc), the Emirate's state-owned oil company.

The oil industry is run by the Supreme Petroleum Council, established in 1988. It will take all decisions relating to the expansion plans. Adnoc, set up in 1971, is the key vehicle through which its policies are put into effect.

Adnoc manages the majority state holdings Abu Dhabi has in the Abu Dhabi Company for Onshore Oil Operations (Adco), and in the Abu Dhabi Marine Areas Operating Company (Adma-Opco), which operates the offshore fields. Adco is involved in a wide array of upstream and downstream activities, including gas gathering, liquefaction and refining. The company also operates a large tanker fleet. Adco has a 51 per cent stake in the Abu Dhabi Gas Liquefaction Company (Adgas). The company operates a 650m LNG and LPG gas plant on Das Island. It produces close to 3m tons of LNG and about 1m tons of LPG annually.

Natural gas and sulphur are also produced at the plant from offshore gas. Shipments began from the plant in 1977, and most of the LNG and LPG goes to Japan.

Adnoc also owns 59 per cent of Abu Dhabi Gas Industries (Gasco). The other shareholders are Shell, which holds a 15 per cent stake. Total has another 15 per cent, and Partex a 2 per cent stake. Gasco manages the close to \$2bn plant at Ruwais which extracts propane, butane, and condensate from associated gas produced by the onshore Bu Hessa, Bab and Asab oilfields. The plant's capacity is 4.75m tons per year of LNG, most of which goes to Japan.

Adnoc's other big responsibility is to manage Abu Dhabi's refineries. There are two, one at Umm al-Nar, and the second at Ruwais. Umm al-Nar has a capacity of around 75,000 barrels per day. The Ruwais refinery has a capacity of 120,000 barrels per day. Product marketing is run by an Adnoc subsidiary, the Abu Dhabi National Oil Company for Distribution.

Adco was set up in late 1978. Adnoc has 60 per cent, Total, BP and Shell have 9.5 per cent each, Mobil and Exxon have 4.75 per cent and Partex has 2 per cent. The first onshore oil discoveries were at Bab in December 1960 and at Bu Hessa in 1962.

Adma-Opco was formed in 1977, taking over the fields of its predecessor, Abu Dhabi Marine Areas. The first oil strikes were at Umm Shalh in 1958 and at the Zakum field in 1965. Adma-Opco is 60 per cent owned by Adnoc. The other shareholders are Japan Oil Development Company, which has 12 per cent, BP which has a 14.57 per cent stake, and Total with 13.33 per cent.

Abu Dhabi also has a company called the International Petroleum Investment Corporation (Ipic), which invests in marketing facilities overseas. It has capital of \$500m, to be used to invest in facilities and petrol stations in Japan and Europe. Ipic has a 20 per cent stake in the Spanish Compania Espanola de Petroleos (Cepsa).

Apart from Oman, Abu Dhabi is virtually the only Gulf country not to own its oil companies outright. "I think it works very well," said Jean-Louis de Veaux, the chief executive of Total, the big French oil company in Abu Dhabi. "There is a continuous dialogue between us and the state oil companies. We help each other on technical matters and exchange information regularly."

The suspension of Opec quotas in August 1990 and the UN sanctions on Kuwait and Iraq meant that the United Arab Emirates had to increase production to around 2.3m between September and November 1990, to help meet the world's energy needs. Abu Dhabi, as the biggest oil producer in the UAE, played a major role in this expansion drive.

As a result of the investment programme now being followed, Abu Dhabi should lift its capacity to around 3m barrels per day by the mid-1990s.

Refining capacity is also to be increased. Expansion at Umm al-Nar has already been approved, and it is thought that approval for an increase in capacity at Ruwais will come soon. Production at Das Island and of LPG and LNG production is to be doubled, with Japan, which signed a contract last year, taking most of the new output.

"All this investment will ensure that in the 1990s Abu Dhabi will have one of the most modern and efficient oil industries in the Gulf," said one London-based oil analyst.

## Things change. Commitment does not.

In the United Arab Emirates we believe in the principles of peace, free trade and global commitment. A determination especially evident in the capital city of Abu Dhabi... where both expatriates and citizens worked together to retain the world's confidence.

And being a vital gateway, Abu Dhabi International Airport remained open, fully staffed and ready. Even when things changed in the region, the airport's commitment did not. Airlines that stopped their flights with the outbreak of hostilities soon came back. Traffic returned to normal long before the end of the crisis.

Abu Dhabi's commitments to its people and the world remain concrete, whatever the circumstances. And as during the crisis, the determination continues now. Nothing has changed.

### ABU DHABI INTERNATIONAL AIRPORT



Black gold: oil has transformed the UAE



Sheikh Zayed presents awards to students at the UAE University in Al-Ain

## A bright new generation

ABU DHABI, like its partners in the United Arab Emirates, has a healthy obsession with education. Some 20 per cent of the UAE's federal budget is spent on health and education. In Abu Dhabi, the local authorities and the private sector top this up with further sums. All this has given Abu Dhabi and the UAE one of the most modern and comprehensive education systems among the Gulf countries.

"We realize that many challenges lie ahead and our best preparation is to give our younger generation good educational facilities," said Sheikh Nahyan bin Mubarak Al Nahyan, a member of the ruling family in Abu Dhabi, the minister for higher education and chancellor of the UAE University in Al-Ain.

Progress has been swift. In 1971, the year of the UAE's foundation, there were some 65 schools, with less than 30,000 students. By the 1989-1990 academic year, there were around 475 government schools and education centres, with some 250,000 students. Another 100,000 students attend classes in about 230 private schools throughout the UAE.

The showpiece of the educational system is the UAE University, established in 1977, in Al-Ain, nesting at the foot of the Hafeet mountain in the eastern region of Abu Dhabi. The University opened with just 504 students. Today it has more than 10,000, 80 per cent of whom are female. To cope with the increase in students the campuses are scattered throughout Al-Ain. The University includes well-respected Law and Medical schools.

The University follows the American system and students have to get 132 credit hours before they can graduate. From September the University will be offering a two-year Masters course on the Environment.

Last year the Basic University Education Programme, a pre-university course, was introduced for new students. They study Arabic, English, Maths and Computers. There are more than 175 teachers, and some 2,500 have already completed the course. Extensive use is made of interactive teaching methods including videos and computers.

This theme of moving away from just information feeding runs through the University's teaching methods. "In the last few years there has been a critical self-evaluation at the University," said Moustafa. "A new curriculum will be introduced in September, with the emphasis on new technology and information evaluation."

Both Sheikh Al Nahyan and Moustafa are keen to involve the University with society's needs and problems. "It is very important," said Moustafa. "The aim of, say, the Agricultural department should not be just to turn out graduates, but to help in developing the agricultural industry in the UAE."

Take the Law School: it has representatives on committees within the Ministry of Justice, and senior ministry officials come and lecture at the University. Medical students get practical experience in the Emirates' hospitals.

As part of the broader aim of involving the University with the needs of society, a chain of Higher Colleges of Technology was established in 1988. There are two in Abu Dhabi and two in Al-Ain. They are designed to provide a more vocational training in subjects such as engineering, business and banking.

The Colleges will also play an important role when entrance into the University becomes competitive next year. "We have put so much emphasis on education that once entrance to the University becomes more selective, we must be able to offer students an alternative. We have to think of the needs of all students, not just the elite," said Moustafa.

The University has about 1,000 academic staff, made up of UAE nationals, Arab and American and European faculty members.

"Because we have so many foreign teachers there is a turnover of staff as they return to their home universities after a few years with us. However, I do not view this as a problem — rather it enables us to be competitive and to continually recruit teachers of a high calibre," said Mohamed Moustafa, vice chancellor of the University.

The University follows the American system and students have

## Making the desert bloom

THE 26,000 square miles of the Emirate of Abu Dhabi, nearly 80 per cent of the whole area of the United Arab Emirates, include some of the most inhospitable land on earth. In the west, the Sabkha Mati consists of hundreds of square miles of desolate salt flats, while the huge sand dunes of the Rub al Khali, (The Empty Quarter) reach into the south west of the country. Rainfall is irregular and scant. Only the hardiest of vegetation and fauna can survive.

There have always been a number of scattered oases, the best known of which are the Liwa, and the Al-Ain Oases. For the most part, however, the Emirates has fitted well into the foreign image of Arabia, its deserts and sand dunes stretching to the horizon.

Over the past 25 years, since Sheikh Zayed bin Sultan al Nahyan became ruler of Abu Dhabi, the picture has changed dramatically as a massive programme of afforestation of the desert and reclamation of land for agriculture has got under way. Something over 70m trees have been planted, as well as 20m date palms, with more than 100,000 hectares of land now involved in afforestation schemes. The plantations also stretch out into the desert, offering direct, substantial benefit to local wild-life.

Besides the desert plantations, the cities and towns of the Emirate have also benefited from the "greening" of Abu Dhabi. The parks and gardens are lush, well-watered places of relaxation for their residents. Abu Dhabi city itself, a conurbation of some 400,000 people that 25 years ago was little but a collection of shacks and sand, has now been dubbed "The Garden City of the Gulf."

Sheikh Zayed has been the driving force behind the programmes. Brought up in the harsh days of the past when finding enough water to drink was more important than watering trees, he has a deep-felt love of gardening and greenery. One recent indication of that was the issuing of an order to the Abu Dhabi Municipality,

(City Council) that no trees were to be cut down without special permission. If a clump of desert acacias stood in the path of a road — move the road. The order underlines that the commitment of Sheikh Zayed, and the Government, to protecting the environment is not simply confined to what man himself can create.

To some, it may seem strange to talk of "conserving the environment" in Abu Dhabi and the rest of the Emirates — after all, isn't it all desert? It is — and it is precisely because of the nature of the country that its environment is so fragile, so balanced on a fine knife-edge, and, naturally, so threatened by the rapid development of recent years. That, too, the Government wishes to protect and preserve.

Since the mid-1970s, hunting has been banned throughout the emirate and heavy fines are imposed on those caught shooting. Also protected are all species of birds and turtles and their eggs.

The Al-Ain Zoo, the largest in the Middle East, is winning a reputation for its breeding of endangered species such as the Arabian Oryx. Several areas, including the offshore island of Sir Bani Yas, have been turned into nature reserves where, with food and water supplied by man, thousands of gazelles run free.

To add an international flavour, the United Arab Emirates last year rejoined the Convention on International Trade in Endangered Species of Flora and Fauna (CITES) with a commitment to prevent unscrupulous international smuggling of ivory and other goods using the UAE to circumvent International law.

Abu Dhabi and the United Arab Emirates will never have the rolling prairies of North America or the dense vegetation of the African jungle. All that man can do to make the desert green is, however, being done, while care is being taken to conserve the environment for future generations. What has been achieved so far is indeed quite remarkable.

Dassault Aviation offers many

## CONGRATULATIONS TO HIS HIGHNESS SHEIKH ZAYED BIN SULTAN AL NAHYAN

On the occasion of the 25th Anniversary of His Accession as the Ruler of the Emirate of Abu Dhabi, and their best wishes for future progress under His Highness's leadership.



**DASSAULT**  
AVIATION

The partners and staff of Arthur Andersen & Co. in the United Arab Emirates and worldwide

### Greet His Highness Sheikh Zayed Bin Sultan al-Nahyan

on this historic occasion and convey to His Highness their best wishes of good health and to the people of the United Arab Emirates further progress under His Highness's wise leadership.

شريك و مؤثث مؤسسة  
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يبدوا الصوت والشعب الإمارات العربية المتحدة  
يبدوا التقدم في كل قيادة سموه الحكيمية

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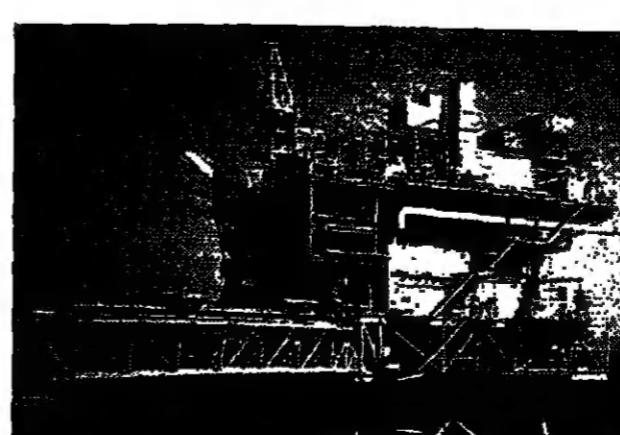
CAPITAL AND RESERVES	US\$ 903 MILLION
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**TOTAL EXTENDS WARM GREETINGS  
TO H.H. SHEIKH ZAYED BIN SULTAN AL NAHYAN  
UAE PRESIDENT AND ABU DHABI RULER**

TOTAL HAS THE HONOUR TO CONVEY ITS WARM AND SINCERE GREETINGS  
TO THE PRESIDENT, HIS HIGHNESS SHEIKH ZAYED BIN SULTAN AL NAHYAN,  
THE LEADERSHIP AND THE PEOPLE OF THE UNITED ARAB EMIRATES,  
ON THE OCCASION OF THE SILVER JUBILEE OF THE GLORIOUS ACCESSION  
OF HIS HIGHNESS SHEIKH ZAYED AS THE RULER  
OF THE EMIRATE OF ABU DHABI

Total has been operating in the United Arab Emirates for several decades, and is proud of having the opportunity to play a major role in the development of the oil and gas industry in Abu Dhabi.



Through its technology and expertise, Total has been actively participating, along with the Abu Dhabi National Oil Company (ADNOC), in several joint ventures that cover various activities in the oil and gas industry. Total is involved in onshore oil exploration and production operations as one of the shareholders of Abu Dhabi Company for onshore oil operations (ADCO). It has been very active in the offshore oil exploration and production field through its participation in Abu Dhabi Marine Operating Company (ADMA-OPCO), Zakum Development Company (ZADCO) and Total Abu Al Bukhoosh (Total ABK).

Total contributes to the Emirate's production of LNG and LPG as a shareholder in Abu Dhabi Gas Liquefaction Company (ADGAS) and in Abu Dhabi Gas Industries Ltd. (GASCO). It is also involved in the production of fertilizers through Ruwais Fertilizer Industries (FERTIL). Total has also contributed to the development of agriculture in desert areas, and is currently engaged in researching new technologies for the development of palm trees. As in the past, Total will continue to fulfill its commitments to the United Arab Emirates and to the development of the oil and gas industry in the country.

**TOTAL**

## TECHNOLOGY

## A GLOSSARY OF MOBILE TERMS

**O**n July 1, with a fanfare and a flourish, the pan-European cellular radio system was due to open in major cities from Paris to Madrid. But the occasion was marked by an embarrassed silence. The month came and went, only a handful of trial services were in operation and no phones were approved for use.

Of greater concern than the setbacks in the introduction of the service - most companies involved acknowledged last year that delays were inevitable - is whether the European system will live up to its reputation as the 1990s' consumer equivalent of the compact disc and the saviour of Europe's electronic equipment makers.

For the consumer, the promise of the pan-European service - called GSM after the Groupe Spéciale Mobile which set it up - is the ability to use the same phone in Paris, Bonn or Rome and be billed by a single phone company back home. And because the service is digital, the breaking of today's radio networks is.

Competition in the pan-European cellular market comes both from advanced technologies, in particular personal communications networks (PCNs), and from the established cellular radio services.

"We've been arguing for some time that GSM is nothing more than a replacement technology for today's analogue service," says Ian Reece, group manager of wireless cellular BIS Strategic Consultancies, a London-based consultancy. "The initial growth in the market could be in just taking up underlying demand."

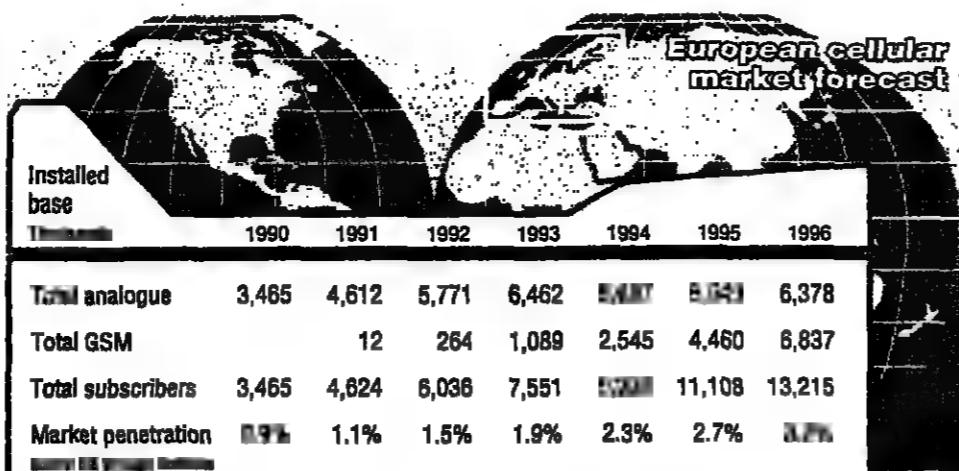
Evidence in Scandinavia - where consumers were reluctant to move from the contested NMT 450 service to the higher frequency NMT 900 one until the new service had achieved geographical coverage comparable with the older one - suggests that customers are unlikely to shift from their existing phones to GSM units until most areas in the home countries are catered for.

The "roll-out" of the services, as it will be called, will vary according to demand and competition. Only in Belgium is there any great need for the service today. And in Italy and Spain, relatively new converts to cellular radio, the analogue service is still a novelty.

In the UK, where the two existing cellular radio companies, Cellnet and Vodafone, will be adding the digital cellular service to their existing analogue one, there is little

Della Bradshaw on progress in the development of European mobile telecommunications network

# Crossed wires face the chop



pressure to spend on new infrastructure. It has invested heavily to increase capacity on their analogue networks in the hope of continuing growth. Now hit by the recession, call volumes have slowed and they have ample spare capacity.

Only the threat of PCNs, which are due to launch in 1992, will force the digital market to market its service.

Mobilefunk has started a "D-privat" service in 15 urban areas and is due to offer a full commercial service later this year.

It has also taken 20 per cent of the German population by the end of 1992.

Mobilefunk plans a GSM service in the south-east of the country by 1994 and intends to cover most of the UK population by the end of 1995, says Chris Gent, managing director. Gent is planning a trial GSM service this year, but will not launch a full service until mid-1992. Not until the end of 1994 will it offer the same sort of national coverage that the analogue service offers today, says Jane Vincent, GSM project manager.

In Germany, competition has been introduced in the form of Mannesmann Mobilfunk, a private cellular service to their existing analogue service. Calls to a mobile phone can be stowed in a pocket, while the portable

phones for GSM will be of a small size. And further developments on analogue phones mean that they are likely to be even smaller.

Manufacturers will take until 1994 to offer more digital phones than analogue ones.

But by the end of 1994, mobilefunk will be exploiting the digital capabilities of the mobile phone to offer extra features from mobile facsimile and personal computer services.

Still in question, though, is whether the pan-European cellular radio will be a strong European electronics manufacturing and keep Japanese manufacturers - which dominate the UK market for analogue cellular phones - out of the market. On the other hand, the exchanges and the stations Alcatel, Ericsson, Motorola, NTT and Siemens are the big players.

What company will prove best in the handset market is still questionable. The Japanese manufacturer is yet to have negotiated licensing agreements with manufacturers such as Motorola and Philips, which precludes the rights to manufacture. (Although GSM is seen as an open standard, its specification infringes patents from several

manufacturers, licensing the right to use these to other equipment makers.)

However, one of the Japanese manufacturers will want to participate. "I believe they will all move in when it gets down to the consumer level and brand awareness becomes important," says Motorola. "Although Motorola is very well-known in the communications business, few people recognise it as a mobile company, unlike Sony and Panasonic."

European manufacturers will be unable to sell their equipment outside Europe. Motorola licenses them to do so - the licensing fees are so high only for equipment to be sold in Europe. And if they do, it is conceded, countries now favour GSM, Australia, New Zealand, and some African countries are talked of enthusiastically as potential markets, but Japan - the two largest potential markets - are both veering towards different digital standards.

In the short term, however, the main focus will be on getting services in operation and phones on the market. The tightness in the original schedule, in particular in the building in enough time for the launch, has caused the setbacks, says Garry Garrard, mobile communications director at PA Consulting. "The worst thing that could happen for an operator would be to introduce a service and then run into problems because the network wasn't fully tested."

Delays in setting the specification have been caused by delays in developing the equipment to run the phones. The complexity of the weighty 2,000-page specification when phones were submitted to the specification could take up to three months to complete.

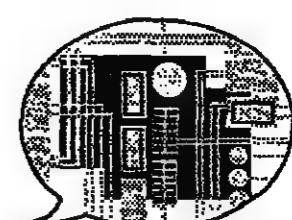
Nokia, which has developed a fully-working mobile phone, believe the only way is to introduce a series of interim approvals in order to get the phones on to the market.

One reason for the manufacturers is that if France, Germany and the UK commit wholeheartedly to GSM - and the first three seem genuinely committed - then they will account for 60 per cent of the potential European market. That will be enough to manufacture in volume and bring down equipment prices.

Thursday's technology page will feature a US digital mobile communications article on UK mobiles appeared on features pages yesterday.

# Turning aspirin into a profit

By John Galloway



## GUEST COLUMN

made available for everybody.

The answer lies in being able to add value to the aspirin itself. Interestingly, one of aspirin's drawbacks suggested a way forward. Aspirin upsets the stomach in people who take it. It may cause bleeding from the stomach lining. Coating the aspirin delays it from being absorbed until it has passed through the stomach is one way of making aspirin less irritating - and palatable to marketing directors. Lilly Industries, for instance, markets its version of "Nuseals" about 100 tablets.

Another solution might simply be to exploit our patients' forgetfulness to patients' actual forgetfulness to drugs. Perhaps as many as a third of people are unable to comply with a simple prescription or develop the habit of taking drugs regularly.

This is a problem that psychologists and others with an interest in the practical side of medicine have been addressing for years. The packaging of contraceptives aims to ensure that women do not forget to take them. Possibly more opportunities are opening up by miniaturisations of electronic components. These experimental work by taking medication long term.

Experimental versions are already being developed with visual aids. There seem to be plenty of scope for doing something interesting and useful for increasing the number of long-term aspirin users and turning a respectable profit as well.

The author is former director of public relations at the Cancer Research Campaign.

## A GLOSSARY OF MOBILE TERMS

**C**ellular radio is a two-way mobile phone service using either carphones or hand portable units. Its name derives from the fact that the service is open to all areas to be covered in a series of cells, sitting in the centre of each cell. To prevent interference, all cells use the same frequency. Cellular radio was introduced during the 1980s using analogue radio technology.

**G**roupe Spéciale Mobile - is the name used to describe the cellular radio service to be introduced in Europe. GSM uses digital transmission, the frequencies allocated in GSM Europe (unlike the analogue which was particular to one country) subscribers from one country will be able to travel to another and still use the same in his or her pocket.

**P**ersonal Communications (PCNs), should be launched in the UK in 1993, and on digital standard of which will be higher frequencies where there is more capacity. By manufacturing mobile pocket phones in huge volumes, the operators hope to make the phones enough for the mass market.

**C**ellular phones are domestic phones in larger, less curly and therefore the handset is replaced by a radio link, making the phones useful for people in large gardens, or those who travel by air from home. Domestic phones plug into ordinary telephone sockets for a simple phone.

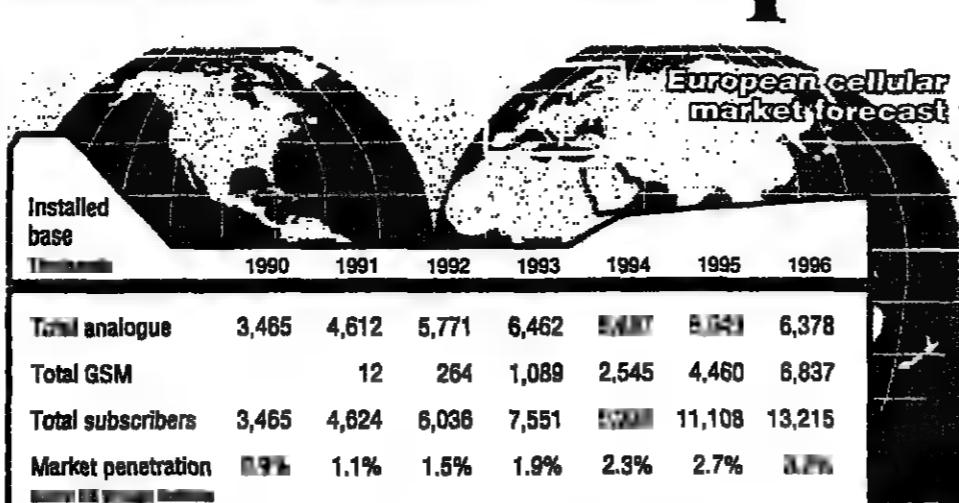
**T**elepoint is a UK service based on terrestrial phone technology. Unlike cellular, GPRS or PCN, telepoint networks do not require mobile infrastructure. Instead, a telepoint unit is located in a public place, such as a railway station and plugs into the telephone company. Calls can be made using the handset and a card indicating the presence of a base unit in the area. The unit cannot receive incoming

calls. The "roll-out" of the services, as it will be called, will vary according to demand and competition. Only in Belgium is there any great need for the service today. And in Italy and Spain, relatively new converts to cellular radio, the analogue service is still a novelty.

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## Tender for the sale of companies in the eastern hinterland of BERLIN/GERMANY

Treuhandanstalt Branch Frankfurt/Oder herewith announces the tender for the sale of presently wholly owned companies in the region East of Berlin/Germany, between Berlin and Poland, as listed below (in brackets: type of business and present number of employees):

### Civil engineering/consulting

Bauhütte Schwedt GmbH (construction, 82)

Bau-Tec GmbH (civil engineering, 500)

BBB-Bauteile Bernau GmbH (civil engineering, gravel production, 115)

Elektro- und Anlagenbau GmbH (electrical installation, 80)

Gleisbau Fürstenwalde GmbH (civil engineering, tracks, 7)

Heizungs-Elektro-Sanitär GmbH (electrical and sanitary installation, 78)

O-1320 Angermünde (civil engineering, construction, 22)

Hochbau Frederedorf GmbH (civil engineering, construction, 70)

O-1273 Frasdorf (civil engineering, construction, 217)

Hoch- und Tiefbau GmbH (civil engineering, construction, 70)

O-1320 Angermünde (civil engineering, construction, 70)

Hochbau-Gesellschaft mbH (civil engineering, construction, 310)

Tiefbau GmbH Biesenthal (civil engineering, 52)

### Consulting engineers

BauKon GmbH

O-1200 Frankfurt (Oder) (civil engineering consulting, 150)

Flöher Planungsgesellschaft mbH

O-1300 Eberswalde-Finow (civil engineering consulting, 11)

### Construction materials

Betonwaren- und Vertriebs-GmbH (concrete stores, 98)

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## MANAGEMENT: The Growing Business

## When doing homework pays off

Anthony Moreton reports on a consultancy which picked an inauspicious time to get off the ground

To launch a financial services company just as a recession is getting into full swing might be thought a touch unfortunate.

Despite the timing, Opus Consulting, which opened for business last October, has managed to stay afloat on an ebbing tide. "We did our homework very thoroughly," says Phil Morgan, its chairman, "with the result that we had a good first quarter."

"We started business easily, but with, though it got a lot tougher in the second quarter, and in the third to the end of June this year, tougher still. Nevertheless, we are still ahead of budget and as the recession eases we will be in place to capitalise on our good start."

Opus describes itself as a multidiscipline, human-resource consultancy. In non-jargon English that means it fits round pegs into round holes, combining the functions of a head-hunter, business planner, personnel relocator, project manager and psychometric assessor.

The company was set up with offices in Cardiff and London by four colleagues. Among them are Huw David, Bob Edwards and

Lucian Headen - working together in Swansea for the Link Organisation, an employment consultancy.

It had just started getting its feet as 40 approached when their company was bought by CRT, a City-based financial services group.

"We had been talking about the future with CRT and arrived on the scene," Davies says. "There was a certain nervousness among us. We were all in our late 30s/early 40s and were wondering about the future. The arrival of CRT crystallised our thoughts because we felt it would not fair the company down the road we wanted to travel."

About the same time, Morgan had returned to Cardiff from London where, after spells in Switzerland and the US, he had been a director of Spicers Corporate Finance.

He then operating as a sole practitioner, liked their ideas and the four formed Opus, his financial know-how complementing their human specialisms.

"Without Morgan's financial knowledge we would have had a difficult time," Edwards says. "We had no experience, but we were novices in financial matters. To have a professional on

board is absolutely essential when starting up."

But there are professionals and professionals. Davies has little time for some of the advisers they employed. "As a provider of professional services we deliver far more to our clients than a lot of the professionals we offered us. We had to scrutinise their work closely but most are within the rules and can make a difference in cash documents, not advisers."

Lesson one for the emerging firm, in Davies's opinion, is to pick the right professionals. Lesson two is not to be caught by their practices. "They will take you for a ride if they can. Legal fees were very high. The property firm wanted us to pay their legal fees as well as our own."

Lesson three is to find an alternative when the bank wants personal guarantees. It's a problem every small business comes up against when it needs finance: directors' houses, pensions, etc. have to be put up against a loan.

"Few beginners know about personal guarantees," says Morgan. "Always go for the right to your assets. That gives you

time to put things right."

Lesson four is that it helps to know, or bring on board someone who knows, the system - the things officials will not volunteer.

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Bob Edwards (left), Lucian Headen (6th left) and Phil Morgan (right) with some of their colleagues

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## ARTS

# The diminishing value of novelty

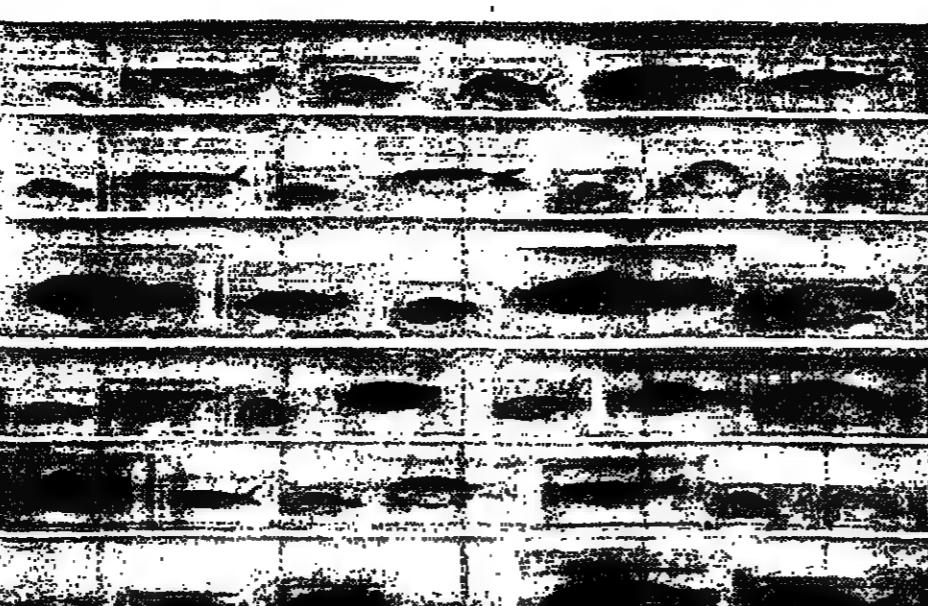
Today's young artists are all head and no heart, says William Packer

Three current London shows taken with the recent announcement of the short-list for this year's Turner Prize, must give anyone all concerned with the present state of British Art Education and, by extension, institutional British Art a large, considerable pause for thought.

Fresh Art, the inaugural National Fine Art Degree Fair (sponsored by the Business Centre, Upper Street, Islington, N1; until August 11) organised by the National Association of Fine Art Education, shows off its school wares. Broken, at the Serpentine Gallery (Kensington Gardens, until September 1), is a show by eight young artists, six of them recent graduates of Central Saint Martins' College. And the BT New Comers, at the ICA (The Mall, SW1, until August 18; sponsored by British Telecom), shows the work of the 15 art students and recent graduates chosen from 100 schools - 10 are from London schools.

There is also the Turner Prize, to be run at the ICA on November 26 (sponsored by BT), this year worth £20,000 and limited to an artist under 30. Of the four runners, Anish Kapoor, the British representative at last year's Venice Biennale, is the one at it with Ian Davenport weighing in at 31, Fiona Hall at 30, and Richard Wherred, at 31. At level weights, it is hardly a race at all, but this is no coincidence.

Kapoor's entry fulfils the pattern of post-Biennale nominees, and he has record to justify it. Otherwise, he merely demonstrates a contempt for art, for the members of current committees that the jury should turn to these artists barely at their fashionable nurseries. Among the jurors is Norman Jewson, Exhibitions Secretary of the



Damien Hirst's work, "Isolated Elements Swimming in the Same Direction for the Purpose of Understanding", on show at the Serpentine Gallery

reworking of an old formula is remarkable in expressing them. His is to pour paint of varying consistencies in intervals down the canvas, another of them being "one of the biggest problems I have." "It is like a blob of paint that has dripped or whatever, and there is no reason at all." I would only say that in this, his work is pretty high.

But it brings us to the greater problem, that in all these shows and the curatorial and institutional responsibility. For Davenport would have a real problem if he found that "real-life experiences" were what he wished to express. It is hardly his fault that he has been educated in the techniques and principles by which he is so. He is a young artist... how cope with the ethics of this bizarre orthodoxy of the unorthodox?"

Rachel Wherred has placed a sink or bath or length of drainpipe and offers the mould as the work itself, "resonant sculptures of the spaces surrounding domestic objects..." as her citation

puts it. Also at the Serpentine, Hirst preserves fish bought from Billingsgate, suspending them in formaldehyde and setting them in plastic on standard shelves, one way, the other. It is a well informed, century-old, and, more specifically, about current art... Their art, in short, is and was being art in the mould of avant-garde. "Novelty," says Graham-Dixon, "is a virtual requirement for success, whether art or commercial... How now is a young artist... cope with the ethics of this bizarre orthodoxy of the unorthodox?"

Nothing is made, except in the simplest mechanical sense. There is no intervention of hand or eye, no marginal, intuitive response, no surprise. All goes to plan, for anything else would be risky, or difficult. I might go wrong, and these young artists have their careers to think about. It is all very

## Harvey's Serenade

### GLYNDEBOURNE FESTIVAL

With a burst from the late R.F. Martin, Glyndebourne has announced its first performances from many composers, each to precede and to be somehow connected with one of the Mozart operas in this year's repertoire. Charming, though dimly carried through by my count, more than about a hundred of the Magic Flute audience on Sunday paid a blind eye of notice to Jonathan Harvey's preludial Serenade from the main terrace. Champagne corks kept popping in the middle distance. After all, the Glyndebourne nowadays is pretty much that of an art party in the City - just slightly dressier, and with elaborately pre-set, fold-up dinner tables proliferating like tables where people come to be family picnics.

Harvey's is employing players in movements, gestures directly from Zauberflöte. Papageno's pan-pipes, recurring (always choked start) on piccolo and the final chord is in E-flat - though so stretched as almost to defy identification. Otherwise, it generates odd, seductive ensemble sounds; it first regularly alternates a pair of chords which echo Stravinsky's the second has dancing intentions, broken by many hissing and effective performance

at fresco - one thinking that the music must have blown the linking material away. Harvey is probably too wedded to electronic studios now to make a practical open-air composer.

The Peter Sellars Magic Flute, which followed, is a tacky little show, looks cheap and nasty, photo-creams of California visitors to down, deliberately under-focused and vinely tinted, above a 3-D basement of crude pillars.

Mozart and Schikaneder

concern their opera in popular speech-plus-song, but Sellars cuts all the dialogue to dry bones. Yet the Papageno, Schikaneder's own role, presupposes all the chatty business that Sellars has reduced to cliché; Tamino becomes a druggy cipher - in the whole that makes him nothing to do but paw his head distractedly - and Sarastro merely a faceless and amoral cultists.

The circumstances, which must be disheartening for most of the excellent performers involved, the new conductor could not make much of a fist when stepping into Andrew Davis's shoes. Presumably he inherited the sensible Overture (with the LPO abrasively strident) and the second has dancing intentions, broken by many hissing and effective performance

David Murray

## National Youth Orchestra

### ALBERT HALL/RADIO 3/BBC 2

In recent years the National Youth Orchestra of Great Britain has chosen some highly ambitious blockbusters with which to present itself at the Proms. A policy of going where youth is not supposed to tread has brought its operatic and choral works by Wagner and Schoenberg, while the young's return in a purely orchestral programme could hardly be classed as a less

The orchestra numbered a veritable army of brass included. The fortified ranks of horns and trumpets must have given almost every deserving brass player of qualifying age the opportunity to participate. Massed numbers like those swell confidence, and the orchestra's performance of Shostakovich's wartime Symphony - led with youthful enthusiasm (on a bass drum in the hands of a teenager and you will certainly know about it).

Alongside the symphony's ferocious climaxes there is a lot of repetitive work, however. It can be a nerve-wracking experience to be the only player of a large orchestra, who is in the spotlight, as those who have seen professionals go through the same situation will testify.

Richard Fairman

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

Concertgebouw 1 Song by Arleen Auger, accompanied by Melvyn Tan. Thurs: Gustav Mahler Jugendorchester (6718 345)

### ATHENS

Lycabettus Theatre 21.00 Municipal Regional Theatre of Kornotini presents Euripides' Rhesus. Sat: Sun in Herod Atticus Theater. National Theatre presents Aristophanes' Horses. These performances are part of the Ancient Theatre Month in Athens. Tickets 100. All Athens Festival and Epidaurus Drama Festival performances can be bought at the festival box office, 4 Stadiou (322 1459)

### BRUGES

Sint-Jacobskerk 20.30 Flanders Festival concert with the Currende and Instrumental Ensemble, featuring choir by the early 17th century English composer Richard Dering. Tomorrow in Sint-Annakerk: Salomon String Quartet plays 15th century quartets. Thurs: recital by Arleen Auger. Fri and Sat: The King's Consort

(050-448686)

### COLOGNE

Philharmonie 11.00 Wintergarten, variety show staged by Heller, runs till Sun (201)

### COPENHAGEN

Tivoli Koncertsalen 11.00 Piano Trio plays by Mozart, Copland and Dvorak. Thurs: Rudolf Firkušny plays Debussy's Preludes. Fri: recital by Aage Haugland (3315 1012)

### GENEVA

Hotel de Ville 11.00 And Mater conducts the Bel Symphony Orchestra in Four Transylvanian Dances by Bartók (1944). Ginastera's Variaciones Concertantes (1953), Rudolf Münch's Four Night (1963) and First Violin Concerto, with Michael Peels. Thurs: Arpad Székely conducts Bartók's Fourth Symphony. Fri: Heinz Holliger Trio (239882)

### HAMBURG

Deutsches Schauspielhaus 20.00 Award-winning Broadway production of the musical 42nd Street, daily except Mon till September 8. Matinee and Sun (248713). Rathaus 11.00 Concert by the Hamburg Symphony (300 510)

### LONDON

DANCE

Grand Théâtre 11.00 Birmingham Royal Ballet triple bill: Galina Ustropava's production of Paquita, Ashton's Jazz and Graham Lustig's Escape, which uses music by Peter McGowan and designs by Henk Schut. Repeated tomorrow and Thurs. The BRB season in Colón Garden ends with performances of David Bintley's His Dark Materials on Fri (071-240 1066). Royal Festival Hall 11.00 English National Ballet triple-bill: Alicia Alonso's Sylphides, Christopher Wheeldon's SwanSong and Fokine's Bachiana. Matinee and evening performances tomorrow. ENB runs till Aug 17 (071-928 8800)

### MUSIC

Queen Elizabeth Hall 11.00 Opera Factory production of Coal-tar Suite, by David Freeman, designed by David Roger and conducted by Mark Wigglesworth, with Michael Angelis as Fordlind and Nigel Robins as Ferrando. Runs till Aug 10, with matinee performances on Thurs and Sat (071-928 8800).

Barbican 20.00 Caribbean Carnival Extravaganza: calypso, steel and dancing from Trinidad. Runs till Sun, with matinee and evening performances on Sat and Sun (071-638 8891).

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Birmingham Royal Ballet triple bill: Galina Ustropava's production of Paquita, Ashton's Jazz and Graham Lustig's Escape, which uses music by Peter McGowan and designs by Henk Schut. Repeated tomorrow and Thurs. The BRB season in Colón Garden ends with performances of David Bintley's His Dark Materials on Fri (071-240 1066). Royal Festival Hall 11.00 English National Ballet triple-bill: Alicia Alonso's Sylphides, Christopher Wheeldon's SwanSong and Fokine's Bachiana. Matinee and evening performances tomorrow. ENB runs till Aug 17 (071-928 8800)

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## FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL  
Telephone: 071-873 3000 Telex: 922188 Fax: 071-407 5700

Tuesday August 6 1991

Why BCCI  
matters

THE TORRENT of disclosures about the Bank of Credit and Commerce International over the past few days has transformed a scandal about which too little was known into one which means global indignation. But the accumulation of detail from last week's court indictments in the US, along with the publication of BCCI auditors' reports, does enable some judgments to be made about the issues raised in this affair.

It all broadly into two areas: regulatory and political.

In the first comes the central question of how this bank was run. It appears not just a major set of fraud, but at least a major set of a decade or more. The chief manipulators within BCCI had masters of the art of deception, and cannot have been for the auditors and supervisors to glimpse the truth. One insider managed to blackmail the bank for \$32m with the threat that he would reveal all – an indication of the value to BCCI of secrecy.

However one point which emerges clearly from the central Price Waterhouse report on BCCI is that BCCI's frauds were not only fundamental to the bank's operations but also required the collusion of a number of its staff and shareholders, and even of other banks. That makes it more surprising that evidence of the frauds was not picked up outside.

## False or deceitful?

BCCI appears to have been helped by a discrediting of supervisors and auditors of the bank. The first PW report on the bank in April 1990, presented before fraud was confirmed, describes BCCI's losses and account manipulation in some detail, and also expresses concern about the large loans made to shareholders. Yet, ingeniously it now seems, it never raises the possibility that fraud might underline practices which looked very strange, even by the creative standards of BCCI.

There is only a single reference to a set of transactions which PW says have been "false or deceitful".

It was not until a year later

that the alarm bells were rung, and the supervisors moved in. One of the main questions that will have to be addressed by the numerous inquiries now going on into the affair is whether this was a credit to the effectiveness of disassembly within BCCI, or whether there was regulatory failure. If the latter, the repercussions among the agencies in countries which were responsible for supervising BCCI will be considerable, and wide-ranging will be needed.

Now, however, nearly 10 months after the nation was reformed on October 3, doubts are arising in the crucial area of European Monetary Union (Emu). At issue is whether Germany's commitment to pooling sovereignty with its neighbours may not after all

be more than it is worth.

Mr Kohl vigorously denies that there has been any shaming in Germany's name set up, one day, a single European currency managed by a European central bank – a process which would end with the replacement of the D-Mark by the European Currency Unit (Ecu), and with the downgrading of the independent Bundesbank to the status of a regional central bank without powers of its own. "I don't know where you are," your scepticism from, he declared recently. "We have not changed our position."

Nonetheless, multiplying

that Germany has toughened stance on Emu. As a result of several factors – which politicians and officials have not fully in public – scaling up a mechanism for Emu towards Emu has slipped down the list of German priorities.

One reason is the economic turbulence caused by the struggle to absorb depression-hit Germany. West Germany is channelling DM 140bn in public sector transfers to east Germany this year. The crisis in public finance likely to last several years, Bonn is in no mood to underwrite expensive support for less developed European regions, which countries such as Spain are demanding as part of an Emu bargain.

Second, with unity completed, the Bonn government is less need to make tactical gestures to win part of its sovereignty to its neighbours than in the delicate phase

October 3 year, of these confidence-building exercises that the shut-down was a deliberate act by the industrialised world on a leading third world institution is without foundation. The information now in the public domain makes clear that BCCI would have been shut down regardless of its actions.

But the west will not be able to ignore the effect of the closure in the third world, because the repercussions will not be confined to the banking community. The fact is, however, that the standards by which the international financial markets operate are to a great extent set by the west.

The third world will have to come to terms with this if it wants to develop institutions which are ambitious to play on the international stage.

Third, partly because of the wider perspectives towards eastern Europe opened up by the crumbling of communism, as well as worries about the cost of German unification, political and economic unity with a limited number of western European states as well as political union – should come into force on January 1 1993, ratification by national parliaments.

The statement, negotiated directly between the Bonn Chancellor and the Elysee Palace (deliberately with the knowledge of the Bundesbank) has now been quietly forgotten. The last time the move to irreversible fixed exchange rates of Emu – is now 1987.

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One distinguished politician in Bonn – Mr Kohl's Christian Democrat party, speaking of the political problems, says: "He wants quiet at home. The others are trying to give the impression of slowing down (on Emu)." The politician predicts: "Economic and currency union (with Europe) will go more slowly than last year. And this year, it will go more quickly than next year."

On one level, the formal linking of the political and monetary treaties is

entirely logical. Kohl-Mitterrand communiqué already dropped a hint of this. By giving up control of the D-Mark, Germany would accede to the long-standing view of countries such as France or Italy that the Bundesbank's de facto dominance over European monetary policies needs to be diminished. In return, it is natural, according to Bonn, that Germany makes steps towards common European policies in areas such as crime, immigration or the environment.

Plainly, if the Bonn government mustered the political will to establish Emu, and was sufficiently sure of public support, it could overrule the objections of the Bundesbank – as happened along the road in German monetary union.

However, Emu spread the Bundesbank's cloud eastwards. Under Emu as Mr Karl Otto Pöhl, the former Bundesbank president, pointed out, the central bank's autonomy would be given up, not extended. According to Mr Hans Matthöfer, the Social Democrat finance minister in Bonn: "The Bundesbank will give up power over the D-Mark only if there is a European central bank which is a clone of the Bundesbank. In the meantime, it will try to delay it."

There is considerable evidence that the government would not risk a showdown with the Bundesbank over a question as sensitive as replacing the D-Mark. Another side to Mr Kohl puts bluntly: "If the others want to control us, they will have to accept our conditions." The problem is that fundamental progress on political union is still bedevilled by differences over defence and security questions which seem unlikely to be resolved quickly. According to Mr Helmut Schmidt, the former West German chancellor and an active proponent of Emu, the idea of linkage between political and monetary union were also ready for signing.

On one level, the formal linking of the political and monetary treaties is

to create a hurdle for the Bundesbank and the Bonn finance ministry

to be that simple?

Meanwhile, Gencor's eagerness to dig deeper into the depressed platinum industry is mildly surprising. Brian Gilbertson, who used to run Rustenburg Platinum before being poached by Derek Keys to run Gencor's mining interests, would dearly like Impala to leapfrog Rustenburg. Can it be that simple?

back the Really Useful Company from the Stock Exchange, but the distractions of a new hobby and a new interest – he is learning to share his passion for horses – has persuaded him to sell a slice of his company for close to £30m. Could he be turning into a better business man than composer?

It is not as easy as it may sound. An enormous housing shortage is forcing the German government to boost subsidised housing.

Breuer, who takes "particular pleasure" in teaching an ex-Communist leader the capitalist ropes, has faced tougher challenges. An earlier employee he had to knock into business shape is Bubi

– the former German heavyweight champion found guilty of homicide.

McCrae, who has been working hard to repair the international reputation of Britain's dozen spa towns, says he "feels pretty sore" about the whole affair. At a time when alternative healthcare is making a comeback, Leamington's facilities are not proving much of a showcase. "The place is failing to pieces," says McCrae.

Michael Ward, the local council chief executive responsible for Leamington's baths, says he is saddened by McCrae's outburst in yesterday's Times. He admits his spa will not be functioning properly by the time of the 1992 congress, he blames the economy and – wait for it – the Government's National Health Service cuts.

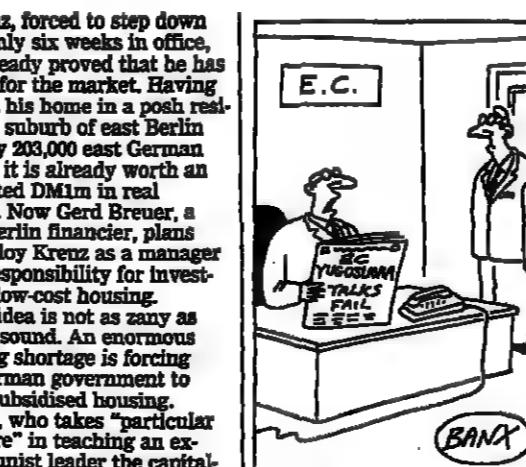
Again, Ascan appears uncertain of the best means to discuss the region's security. The Ascan ministers' meeting and the subsequent dialogues with trading partners have already discussed security issues, and many participants are comfortable with this. But Malaysia's invitation to the Soviet Union and China to attend the Ascan meeting as observers betrayed Ascan's confusion. Their closer involvement would not be compatible with security talks.

For both its economic and political future, therefore, next January's summit of Ascan leaders in Singapore will be crucial. Before they meet, officials and ministers need to establish common ground.

Another display of divergent views would raise serious questions about the region. A south-east Asian region divided by size and jealousies would destabilise the security and development of the region. It would be a poor climate for Vietnam, Cambodia, Laos and Burma, all potential members, to put out in the footprints of their richer neighbours.

Several members of the most industrialised countries in favouring a grouping already formed, called the Pacific Economic Co-operation, as the main forum for future trade. But Ascan, which includes Australasia and North America, has established an identity. Separately, Malay-

## OBSERVER



"Why don't we just issue a directive?"

back the Really Useful Company from the Stock Exchange, but the distractions of a new hobby and a new interest – he is learning to share his passion for horses – has persuaded him to sell a slice of his company for close to £30m. Could he be turning into a better business man than composer?

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It is not as easy as it may sound. An

W hen Mr Hans van den Broek, the Dutch foreign minister, addressed a news conference in Belgrade on Sunday, he discarded the cautious language of diplomacy. Instead, in a tone of despair, he said that negotiations between the European Community ministers and Yugoslav political leaders aimed at working out a ceasefire between Croats and Serbs had broken down. There was, he added, no point in prolonging the mission. The EC officials promptly flew out to Brussels. In doing so, they left one vital question unanswered: what happens next in Yugoslavia?

No doubt EC governments will indulge in a flurry of activity over the next few days. But essentially the key to the future of Yugoslavia lies with the Yugoslavs themselves, and particularly Mr Slobodan Milošević, the president of Serbia. The problem is that no one seems to be in a position to bring Mr Milošević to the negotiating table.

It is abundantly clear now what Mr Milošević and his supporters are driving at. After weeks of fighting in Croatia, backed with attempts to destabilise the central republic of Bosnia-Herzegovina, the boundaries of a greater Serbia have been laid out.

If the EC does not return to Yugoslavia as mediators, Europe can forget about a Yugoslavia "aid to Mr Franjo Tuđman, the president of Croatia. This is exactly what Mr Milošević wants. There will be one big Serb-dominated Yugoslavia. Furthermore, if the EC refuses to come back, extreme Croatian nationalists will try to topple the government in capital Zagreb. The situation in Croatia will then become much worse. The pot is boiling.

As a result of the EC's abandonment of peace efforts, many Yugoslavs — the worst — Serbia will now be free to press ahead with annexing Serb-inhabited areas of Croatia. These include the Krajina, in the north of Slavonia, and parts of Dalmatia, in the east. A corridor will run along the north of Bosnia-Herzegovina, which will unite these regions with Serbia. "This plan is not far-fetched, even though it will lead to terrible bloodshed," said Mr Drazen Kucan, an economist from Croatia. But it is also likely to prove a catalyst for greater instability.

Mr Lazar Macura, the minister of information from the self-proclaimed autonomous state of Macedonia, last week spelled out in more detail the future shape of a new Serbia. The Yugoslav republic of Macedonia, Mr Milošević's next target, he

# The awful shape of things to come

Judy Dempsey asks what happens next in a Yugoslavia poised on the brink of civil war



On watch: if Milošević, right, and Tuđman do not talk, Croat soldiers will be at war

said, was to isolate the 2m ethnic Albanians in the southern province of Kosovo which since 1989 has been under direct Serbian rule — presumably "Serbianise".

"We do not want to include the ethnic Albanians in the greater Serbia," Mr Macura said. "We should isolate the ethnic Albanians. We should create a barrier, just as the US creates Mexicans."

This in turn has implications for neighbouring Albania, which Mr Macura said would soon be brought into negotiations with Serbia. "Let Albania take part of Kosovo. We, the Serbs, will hold on to our chuches in Kosovo."

The thought of a greater Serbia precipitating a revision of the region's borders prompts two further questions: what do the Serbs and the Croats do with an enlarged Serbia? And how is it to be treated by the outside world?

The seeds of an answer stem from October 1987 when Mr Milošević was captured by his supporters. He promised political and economic reforms, but he was not popular. Economic and political power — and much of the media — is concentrated in the hands of his supporters. A similar trend towards authoritarian rule has been evident in Croatia. Following elections in April 1990, the Croat president Mr Tuđman postponed economic reforms, placed his own supporters in positions of authority, discriminated against the Serb community, and used the to bolster his power base.

Mr Milošević also promised to restore to Serbs, the country's largest ethnic group, their legitimate influence in the Yugoslav federation. The late President Tito, a Croat, had tried to curb Serb dominance. That, alas, is the nub of the problem. A Serbian-dominated administration in a democratic Yugoslavia is as much a contradiction in terms as the spectre of this kind of Yugoslavia from the ashes of Communist rule. The declaration of independence by Slovenia and Croatia on June 25.

But if Mr Milošević does succeed in carving out and consolidating the borders of a greater Serbia, it will be in danger of becoming a pariah state. Yesterday, Mr Hans-Dietrich Genscher, Germany's minister, urged the EC to impose economic sanctions against Serbia. "It has to be made clear to the Serbian leadership that this behaviour is with absolute disapproval of the international community," he said. "Nobody should be allowed to help put Serbia in the position of continuing its efforts to

As a result of the EC's abandonment of peace efforts, many Yugoslavs — the worst — Serbia will now be free to press ahead with annexing Serb-inhabited areas of Croatia. These include the Krajina, in the north of Slavonia, and parts of Dalmatia, in the east. A corridor will run along the north of Bosnia-Herzegovina, which will unite these regions with Serbia. "This plan is not far-fetched, even though it will lead to terrible bloodshed," said Mr Drazen Kucan, an economist from Croatia. But it is also likely to prove a catalyst for greater instability.

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## LETTERS

### Indexed

Mr Richard Lake

Sir, Mr David Franklin made a good point (Letters, August 1) in stating that the "Footsie" index might have done much worse if weaker stocks were not replaced by stronger stocks. In fact, with the "Footsie" index the changes are not serious as the capitalisations at the 100-point level are insignificant and notional to the overall calculation.

While the old 30-share FT Industrial index has been replaced by the 100-share "Footsie" in London, the US and UK market-makers, brokers and fund managers still use the much older 30-share Dow Jones Industrial index as a guide to Wall Street. This century it has repeatedly rejected weak stocks for stronger brethren. I wonder how much lower it would be with all its original constituents?

Richard Lake,  
director,  
Houze Gobet  
Investment Research,  
4 Broadgate, London

### Industry sacrificed on altar of financial sector

From Mr David Blunkett, MP.

Sir, The recent fall in bank profits and the loss announced by Midland Bank have led to some very interesting comments regarding future lending policy by our financial institutions.

It is now being made clear that even tighter restrictions will be placed on lending to businesses — particularly small businesses — in the future. The consequence of this is that those who are taking risks — an essential feature of private enterprise — are the ones who are most likely to be penalised.

As a consequence, industry is further sacrificed in the name of protecting the financial institutions which, in any sensible world, would exist to serve industry, and not the other way round.

David Blunkett,  
House of Commons,  
London SW1A 0AA

### Urban vehicle concept

From D G Tipping.

Sir, John Griffith's (Letters, August 1) article on the GM urban project is an admirable design to meet California's "zero emission" target. High speed and rapid acceleration appear to be prominent in GM's design brief, with the idea of producing a vehicle indistinguishable from a conventional car.

To deal with our own urban traffic problems Britain needs a new concept for the personal urban vehicle, in which acceleration and a high top speed score low in the trade-off with range. Its sole purpose should be to carry the individual commuter or shopper, replacing the saloon car in this use.

An electric family saloon for motorway use is a separate, more distant and questionable project.

Britain has a research programme for the electric car, but perhaps it too needs the impetus of legal zero emission targets. Government could also indicate its intention in due time to give tax preferences to electric vehicles.

Nor should manufacturers' design briefs be guided solely by traditional market research. Government must accept the prime responsibility for a quiet, cleaner and safer environment.

D G Tipping,  
11 Arundel Road, NS

Fax service

Letters may be faxed on 0171-675 0001. They should be clearly typed and not hand-written. Please set the machine for the resolution.

redraw Yugoslavia's internal boundaries by force."

In a belated attempt to halt the Serbian offensive, Mr Tuđman has promised the Serb community in Croatia more cultural and political autonomy. But probably too little, too late.

"A few weeks ago, many of my Serb friends in Croatia said all they wanted was the right to wave their own flags and sing their own songs," a Croat historian said. "Today, I think Mr Tuđman's attempts to reassure the Serbs in Croatia are too late. The propaganda from Serbia is too great. The mood in Croatia against the Serbs will harden. The militant Serb leaders feel they are winning. That is why they will not stop. Besides, do you expect Mr Milošević to call off the whole game now?"

Any retreat by Mr Milošević would immediately focus attention on the economy because poor living standards would come under scrutiny, thus undermining his political authority. The same, incidentally, applies to Mr Tuđman. What is surprising is the way in which the population has reacted to the political ambitions of the Serbs at the moment, concentrating on

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## PERSONAL VIEW

# No. Ten should look after No. One

By Christopher Hood and Chris Trinder



The controversy about greed has thus far been all about the high earners of the private sector. But the next top pay is likely to be about those in high incomes in the public sector — bureaucrats, judges, police and politicians.

Many public hand-wringing by the Top Salaries Review Body over growing pay disparities between top public and private sector jobs, of the sort in which the public sector is concentrating on

using their contacts and knowledge of Westminster/Whitehall profitably in the private sector.

If a value representative does that, does that imply that those in high public office should be representative of the average citizen? In principle, that idea might appeal to the public in Neil Kinnock or John Major, but neither expressed any public enthusiasm.

And representative rewards in the sense can mean representative leadership, because that no one of ability can follow a high public career without having substantial wealth or backing from the wealthy.

True representation may require unrepresentative rewards at the top.

Whatever way these values are ranked, our current structure seems to reward high public careers.

A prime minister who has made loud professions of "charity" might want to think hard about this set of values. But, like so many of the issues with which an underpaid PM has to deal, the values do not necessarily add up. Getting the best, ensuring continuity and preventing dishonesty may imply different pay levels.

In general, however, the path which has been followed in recent years in the Balkans has only limited praise. Pay at the top has been well above the rest which would be the best and the brightest for continuous service. The famous "inflation-proofed" pensions enjoyed by top public officials in 1971 means that high public officials have more to lose from outright dishonesty.

In short, the top of the public sector is in case of the "greedy bosses" problem in reverse.

Conspicuous consumption can be just as bad as conspicuous indulgence. Whoever is PM when the Review Body's report comes to Number One will need to ponder the basic issues at stake. What should we value most in high public officials? Is it setting a good example? Is it quality, reliability and integrity? Or is it representativeness?

It is easy to see how setting a good example might top the list of values. In principle, it is twice as good as a bad example.

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### NOTICE OF MEETING

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5,000,000,000

Österreichische Länderbank Aktiengesellschaft

**NOTICES IN HUNGARY GIVEN** In accordance with the provisions of the Agent Agreement dated 11th May, 1989 (the "Agency Agreement") and made between Österreichische Länderbank Aktiengesellschaft ("Bank"), The Yasuda Trust and Banking Company, Limited as fiscal agent and principal paying agent (the "Fiscal Agent"), Banque Internationale à Luxembourg S.A. and Morgan Guaranty Trust Company of New York as authentication agent and Banque Trust Company of New York as calculation agent relating to the above-mentioned Bonds (the "Bonds"), that a meeting (the "Meeting") of the holders of the Bonds (the "Bondholders") is convened by the Bank and will be held on Wednesday, 28th August, 1991 at 2.30 p.m. London time at the offices of Norton Rose, Kempton House, Conduit Street, London W1S 7AN for the purpose of the holders of the Bonds of the Bank to consider and, if necessary, to pass the Extraordinary Resolution set out below (the "Resolution"). The Resolution is proposed by Bondholders by the Bank as a result of the impending merger (the "Merger") of the Bank with Zentraleuropäische und Kommerzialisierende Aktiengesellschaft, Wien ("Z-Bank") which is expected to take effect on or about 7th October, 1991 when under the terms of the Agency Agreement, all the assets and liabilities of the Bank will automatically pass to Z-Bank. Accordingly, upon the Merger Date, Z-Bank will assume all the obligations of the Bank under the terms and conditions of the Bonds (the "Conditions") and the Bank will cease to exist, effective as at 1st January, 1991. Details of the background to, and the reasons for, the proposed Resolution are contained in an Explanatory Memorandum prepared by Bondholders by the Bank dated 8th August, 1991 copies of which are available as indicated below.

### EXTRAORDINARY RESOLUTION

THAT the Meeting of the holders of the Bonds (the "Bondholders") of the 5,000,000,000 6% per cent. Variable Redemption Amount Bonds due 1993 (the "Bonds") of Österreichische Länderbank Aktiengesellschaft ("Bank"), issued pursuant to a fiscal agency agreement (the "Agency Agreement") dated 11th May, 1989 made between the Bank, The Yasuda Trust and Banking Company, Limited as fiscal agent and principal paying agent, Banque Internationale à Luxembourg S.A. and Morgan Guaranty Trust Company of New York as authentication agent, Banque Trust Company of New York as calculation agent and Banque Trust Company of New York as principal paying agent, be convened for the purpose of:

(a) a merger (the "Merger") between the Bank and Zentraleuropäische und Kommerzialisierende Aktiengesellschaft, Wien ("Z-Bank") for the purpose of:

(b) the assumption by Z-Bank of the rights and obligations of the Bank in respect of the Bonds and the Agency Agreement shall be read and confirmed if Z-Bank had been at the time of the meeting in place of the Bank.

II. **RESOLUTIONS** The following resolutions are proposed by the Bank in respect of the Bonds:

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28. **RESOLUTION**



# FINANCIAL TIMES

Tuesday August 6 1991



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Emergency session of parliament-in-exile will attempt to reassert PLO's role  
**Arafat convenes Palestinian meeting**

By Tony Walker in Cairo

**A**N EMERGENCY session of the Palestinian parliament-in-exile is to be convened next month by Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, amid growing signs of unease in PLO ranks at the latest Middle East peace moves.

The convening of a Palestine National Council session at this sensitive time may complicate the peace process by Mr Baker, US secretary of state, to resolve the issue of Palestinian representation at the proposed October meeting between Israel and its Arab neighbours.

Mr Arafat's decision to summon the Palestinian's supreme policymaking body to a Sep

tember meeting in Algiers almost certainly reflects his own intense discomfort at attempts by Mr Baker to constrain the PLO to the shadows in the lead-up to the peace.

The PLO leader said yesterday that the "holding of a peace conference without the participation of the PLO or of representatives of Jerusalem does not constitute in any case a real peace conference".

Israel, whose hardline government approved Mr Baker's proposal for an "opening" to direct talks with neighbouring states, says it will not deal with the PLO, nor will it sit down with Palestinian representatives from East Jerusalem. Israel insists

that Jerusalem, including the half captured from Jordan in 1967, is its eternal capital.

Mr Baker, on a tour of North Africa, has been pressing Arab leaders to use their influence with the PLO to persuade it to "non-controversial" Palestinian issues be included with Jordan in a joint delegation to the proposed peace conference as a way around Israeli objections to dealing with the PLO. The Palestinian leadership is willing to go along with this proposal, but it wants to be sure that any peace gathering is conducted on the basis of UN resolutions demanding Israel's withdrawal from occupied land.

Mr Baker's proposal is a danger of seeming irrelevant.

Mr Arafat, who has con

cerned with the leaders of Morocco, Tunisia and Algeria in the past few days, says intent on trying to shore up his position at the head of a fractious movement, hence his decision to convene the PNC.

The meeting of the Palestine National Council was held in Algiers in November 1988.

It was an historic occasion at which Mr Arafat, in proclaiming an independent state of Palestine in the West Bank and Gaza, signalled his acceptance of UN resolutions 242 and 338, thus implicitly recognising Israel's right to exist within pre-1967 frontiers.

The mood at next month's summit is likely to be more militant, as extremist Palestinian groups like the fundamentalist Hamas are to press for entry to the PNC with significant representation.

Irish guerrilla warfare, Page 4

**SOICHIRO HONDA**

## A symbol of Japan's industrial rise

**M**R SOICHIRO HONDA, founder of Honda Motor, died yesterday at the age of 84, having built a company that became a symbol of industrial Japan's from the rubble, and of its in the international place.

The son of a blacksmith, Mr Honda had an early for motor racing that fired a determination to build ever more sophisticated engines. That passion also inspired a commitment to compete against established Japanese corporate groupings and against the famous foreign manufacturers whose cars he so admired in his youth.

Surrounded by a corporate culture with a strong emphasis on conformism, Mr Honda encouraged employee initiative and maintained a personal enthusiasm in basic research projects, regarding such as a and the industrial equivalent of the artistic temperament.

The enthusiasm was blended with a sense of success and failure: "To me, success can only be achieved through repeated failure and introspection. In fact, success represents 1 per cent of your work and results only from the 99 per cent that is called failure."

Having started work in an auto repair shop in 1926, he experienced personal failure during a car rally in 1936 when his vehicle crashed and he was seriously injured. He was prompted to take an interest in the more prosaic pursuit of manufacturing piston rings, and founded Tokai Seiki Heavy Industries in 1937.

After conceding that he could not master piston ring casting, he travelled in an institute of technology, disregarding what was considered the shame of sharing a room with a younger.

His first customers included Toyota Motor, which bought Tokai Seiki in 1945, and the air force, for which he produced bomber propellers.

At the close of the war he spent time fermenting alcohol and contemplating a likely future in Japan, was



Soichiro Honda rides his Dream motorcycle in 1957

inspired by his own frustration at travelling within Tokyo. He began fitting military engines to bicycles and formed the Honda Technical Laboratory in 1946.

Two years later he Mr. Takeo Fujisawa, a mechanical engineer, balanced Mr. Honda's technical talents, and who remained a close associate until his death in late 1988.

Honda Motor itself was founded in 1946 and, a year later, Mr. Honda and Mr.

Fujisawa completed the original motorcycle, the 50cc Dream Type D. That was followed by the Type E, which was a commercial success, and Mr. Honda's manufacturing ambitions, though he insisted "technology must serve man" — he repeatedly served Honda workers.

Honda's entry into car production was opposed in 1951 by the Ministry of International Trade and Industry (Mit), which argued that the market was over

crowded and existing producers should focus on one of three categories: mass-production vehicles, mini-cars or special-purpose vehicles. Honda ignored the directive.

In 1957 Honda Motor displayed a light-duty truck and a prototype sports car at the Tokyo Motor Show. After perfecting a sports car and racing it successfully, the company began selling a mass-market small car in 1957, the N360, and well into the 1960s competition. Mr. Honda turned his attention to developing a cleaner engine.

His preference for mechanics over marketing was reflected in his determination to perfect the air-cooled engine, in a Honda 1300 in 1958. The company lost money on the car, and Mr. Honda clashed with other executives who wanted to abandon the water-cooled engines.

Believing his contemporaries lacked vision, Mr. Honda persisted with the air-cooled engine until he was persuaded to allow his engineers to work on the water-cooled variety. Mr. Fujisawa, then vice-president, is said to have told his old friend: "You can continue to serve as the president of our company, or you can join the engineers."

Mr. Honda's ultimate vision reflected a belief that the company was not his private preserve, but equal to the combined abilities of its workers. He sensed he was losing touch with the demands of running an industrial enterprise and, in October 1973, he marked the company's 25th anniversary by resigning.

While the company kept his name, the post-resignation title of Supreme Adviser gave him no direct influence on decision-making.

His final years were spent in community work, as a member of government committees, and as the head of international friendship associations.

Mr. Honda, the present generation of workers knew him as "the father".

Robert Thomson

**Gorbachev relies on market mechanism to supply harvest shortfall  
Soviet decree targets food supplies**

By John Lloyd in Moscow

**I**N THE face of falling production and warnings of harvest shortages, President Mikhail Gorbachev has issued an emergency decree seeking to secure supplies of food and drink for the winter.

The measure, one of several which attempt to address the increasing pressure on the consumer market, is notable for its explicit reliance on market forces.

Earlier this year, food prices had tended to fall back on command control in improving supplies.

The presidential decree lays down that all hard currency funds should be used to purchase consumer goods from abroad and that barter arrangements should be set up

to further ensure supplies. The decree lowers the duties on imported items in the supply, though the extent of the reduction is not clear.

In a decree from the Council of Ministers which went into force in January, 30 per cent of the hard currency earnings of enterprises had to be sold to the central government to repay debts. This was expressly prohibited.

Earlier this year, food prices had tended to fall back on command control in improving supplies.

Mr. Gorbachev already warned, in his presentation to the Group of Seven leading

industrial countries last month, that Soviet debt may have to be repaid.

In his letter to the G7, he said that "we look forward to the lenders and the international financial institutions for a favourable response on proposals designed to consolidate and restructure our external debt."

The president's move as Mr. Vladimir Shcherbakov, the deputy prime minister and economic minister, of a "real threat of famine" known as the Soviet Union's "breadbasket", indicate that grain output is likely to be down at least 84 million tonnes by 1991.

Mr. Gorbachev's deal to delay release of the hostages have been circulating since January 1981 when they obtained their freedom only

minutes after Mr. Reagan was sworn into office. The suggestion was that an inquiry in view of charges by Congressional Republicans that the move was politically motivated. Repub

ican House minority leader Mr. Robert Michel said Mr. Foley will be "wasting an awful lot of money on a charade. There's nothing there and the people back home don't give two hoots."

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## European side cushions decline in TDG profit

By Michiyo Nakamoto

RECESSIONARY [REDACTED] in almost all of its markets depressed first half results at Transport Development Group, the UK's second largest transport concern.

Pre-tax profits for the six months to June 30 fell 7 per cent to £16.5m, from the previous £17.8m, because of the decline in volume brought on by [REDACTED] economic conditions worldwide.

Turnover was down to £223.6m (£233.95m). The greatest decline in activity came in the US, where turnover fell to £22.5m (£35.7m).

The group sold two loss-making businesses there in June and the remaining US business reported a loss - £436,000 (profit £379,000) - for the first time in 10 years. The losses arising from the two sales have already been charged to provisions made last year.

In Australia, the severe recession resulted in a decline in all [REDACTED] group's activities, and profit slid to £1.5m (£1.51m). European operations, including the UK, which was the

group's main market, were slightly more resilient, with turnover rising to [REDACTED] (£224.7m).

Activity in the UK, however, was sluggish and sales were down to £160.9m (£162.3m).

The higher European turnover, stemming mainly from strong activity in the Netherlands, took operating profits up respectable. There [REDACTED] has some grounds for grumping at [REDACTED] maintained dividend when hopes for better [REDACTED] had been raised by the group's restructuring programme. But given [REDACTED] during what [REDACTED] been perhaps the worst of the UK recession, prospects in the months [REDACTED] look better rather than [REDACTED].

With the UK reorganisation now completed, the group is well placed to take advantage of any economic upturn, said Sir [REDACTED] Duncan, chairman.

It had a healthy financial position with gearing at 24 per cent on shareholders' funds of £268.53m, and net interest more than eight times covered by profits.

However, while the seasonal pick-up in business towards the end of the year was expected to boost second-half results, Sir Duncan did not see the recession in the UK coming

to an end just yet. "We're not going into higher gear unless the economy goes into higher gear," he warned.

### • COMMENT

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## FT LAW REPORTS

## Auditors need not reveal books

RE BRITISH & COMMON-WEALTH HOLDINGS PLC  
Chancery Division: Mr Justice Hoffmann  
July 26 1991

PRODUCTION OF documents to enable a company's administrators to inquire into its affairs and dealings, will be ordered by the court only in respect of information to which the company is entitled from its officers or servants, past or present, as a matter of contract or fiduciary duty. It does not extend to information which would have been unavailable to the company other than in the proceedings.

Mr Justice Hoffmann held when allowing an appeal by the respondent auditors, Spicer & Oppenheim, from Mr Registrar of Companies' order requiring them to produce documents to the applicants, the administrators of British & Commonwealth Holdings plc (B&C).

Section 236 of the Insolvency Act 1986 provides: "(2) The court may, in the application of [the administrators], ... mon to appear before it ... (c) any person whom the court thinks capable of giving information concerning the business, dealings, affairs or property of the company. (3) The court may require any such person ... to produce any books, papers or other records in his possession ... relating to the ... or the matters mentioned in paragraph (c)."

That subjective test was approved by the Court of Appeal in *Cloverbay*. The vice-chancellor said that there was no "simple test". He said the court had to "balance the requirements of the liquidator against any possible oppression to the person to be examined".

If that balancing act were all that was involved in exercise of the discretion, the Registrar's order should stand.

A listed public company had become insolvent, with widespread loss to creditors and investors. The principal cause of the crash was that a subsidiary acquired for £230m with the advice of merchant bankers, accountants and others, was found after less than two years and the introduction of

another £117m, to be insolvent in the time of the acquisition.

Spicer & Oppenheim said Atlantic's auditors from 1983 until June 1988. Before the acquisition they had given an unqualified audit opinion on Atlantic's financial statements for 1987. During the acquisition they produced a working capital report on the instructions of merchant bank advisers. On May 4 1989, they gave an unqualified audit opinion on its financial statements.

On January 16 1990 the solicitors to the administrators wrote to Spicer asking to inspect documents in their possession. They said the acquisition of Atlantic was part of a "dealing" or "transaction" within section 236 of the Insolvency Act 1986.

The request was refused.

On April 29 Mr Registrar of Companies' order requiring Spicer to produce documents relating to the audit of Atlantic's subsidiaries and its accounts, and to the acquisition.

Spicer now sought to discharge the order on grounds that it was oppressive, and amounted to use of section 236(2) for a purpose not intended by Parliament.

Until *Cloverbay* (1991) in which an order to examine B&C's administrators had not been specified which areas of the business were under investigation.

The only purpose of asking for greater specificity was to alert Spicer to matters on which the administrators could be asked to give information which might be embarrassing to the company.

By that test if any of the information sought by the administrators could be described as "reconstituting the company's knowledge", it would have had no valid reason to prevent the administrators from having access to the documents.

The first ground upon which Spicer made their application was rejected.

The second ground involved use of section 236(2) powers for an improper purpose.

In *Cloverbay* the vice-chancellor said the reason for the inquisitorial jurisdiction in section 236 was that an administrator should be given the power to prevent the administrators from being asked to give information which might be embarrassing to the company.

He said: "The purpose of section 236 is to enable him to get sufficient information to reconstitute the state of knowledge that [the] administrator should have.

Its purpose is not to put the company in a better position than it would have

enjoyed if liquidation or administration had taken place.

That power could only be meaningful meaning that the purpose of the jurisdiction was to "reconstitute the state of knowledge that the company should possess" and that it would not be proper in law to give an order for the purpose of putting the administrator in a position that it would not have enjoyed if liquidation or administration had been adopted.

Mr Moss for the administrators, said knowledge which could be "reconstituted" could be "reconstructed" in the sense that it was not necessarily honest, honourable and reasonable.

The vice-chancellor did not accept "reconstituting the company's knowledge" to have any meaningful meaning.

If the company had remained solvent, it would not have been entitled to financial information from the fraudster or to instruct him, except in legal proceedings. The vice-chancellor was referring to information to which the company was entitled from its officers and servants, past or present, as a matter of contract or fiduciary duty. Section 236 could not be used to obtain information which would not have been available to the company at all.

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Rachel Davies  
Barrister

# MORE BUSINESSMEN INVOLVED IN CHOOSING UK OR INTERNATIONAL BANKING SERVICES READ THE FT THAN ANY OTHER DAILY PAPER.

Source: ■■■■■

For more information please call Ben Hughes in London on Tel 71-873 4797

## COMPANY NOTICES

## OBITUARIES

SMITH-COX CBE, TD, JP Coxon died on August 2nd 1991 after a short illness, aged 81 years. Beloved husband of Marjorie, father of Geoffrey, Peter and Robin-Jane and James and Shirley. Grandfather of Joanne and Joanne, Daniel, Peter and Sophie. Son of Mr and Mrs May Clegg, Weston St. Mary, Cheltenham on Thursday 8th August at 11.30 am. Memorial service at Cheltenham Cemetery, Cheltenham on Thursday 15th August at 12.30 pm. Interment at Weston St. Mary Cemetery, Cheltenham. For the funeral service, see page 20 of the Gloucester Herald, Gloucester, Gloucestershire, England. Tel 0225 872226.

## CLUBS

IEF has outlined other data to policy of fair play and value for money. Supply from 10-30 am. Glorious horsemen, meeting calendar 1991 August 24, 1991.

## PERSONAL

ALL CROCODILE ARTICLES, All Leather Luggage, Bloodstone wanted. 071-229 9618.

## The United Mexican States Floating Rate

## Privatization Notes Due 2001

The applicable rate of interest for the period August 1, 1991, through and including October 31, 1991, to be paid November 1, 1991, a period of 60 days, 6.8750%. This is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (6.0625%) as quoted on the Dow Jones/Teleread Monitor or Teleread Screen No. 3750 as at 11:00 A.M. (London Time) on July 30, 1991.

The above equates to an interest payment of 17,5694 per USD 1,000.00 in principal amount of Notes.



Charles E. Giuliani  
Assistant General Manager  
Banco Nacional de Mexico, NY

August 6, 1991

## TECK CORPORATION

Notice to Unitholders  
Distribution Date  
August 6, 1991

On July 3, 1991 Teck Corporation issued pursuant to a Short Form Prospectus dated June 20, 1991 Units comprised of one Class B Subordinate Voting Share and one-half Class B Subordinate Voting Share Purchase Warrant.

The Prospectus provides that the Units are delivered by way of a legend certifying evidence of the Class B Subordinate Voting Shares and the Warrants, which Warrants become exercisable on or before September 30, 1991 on a date to be determined by the Directors of the Company, the Underwriters and the European Managers (the "Distribution Date"). They have determined August 6, 1991 as the Distribution Date and, accordingly, the legend certifies evidence of the Class B Subordinate Voting Shares and the Warrants will, after the close of business on August 6, 1991, represent only the number of Class B Subordinate Voting Shares set forth on such Units. Unitholders of record at the close of business on August 6, 1991 will be mailed, during the week of August 6, 1991, certificates representing the Warrants to which they are entitled.

The Class B Subordinate Voting Shares and the Warrants into which the Units become exercisable on August 6, 1991 have been listed and posted for trading on the Toronto, Montreal and Vancouver Stock Exchanges. For additional information, please contact your broker or the Transfer Agent, National Trust Company, at its principal office in Toronto, Calgary, Winnipeg, Vancouver and Montreal or Connaught St. Michaels Ltd. at its offices in Luton, Bedfordshire, England.

During the period commencing the Distribution Date and ending December 15, 1993, each whole Warrant entitles its holder to subscribe for one Class B Subordinate Voting Share of Teck Corporation at a price of \$25.00 per Class B Subordinate Voting Share.

DATED at Toronto, Ontario, August 1, 1991

Bill Morrison, Secretary

This announcement appears as a matter of record only. July 1991



## National Power

NATIONAL POWER PLC  
U.S. \$750,000,000

U.S. Commercial Paper Program  
Rated A-1 by Standard and Poor's Corporation  
Rated P-1 by Moody's Investors Service Ltd

Arranger and Rating Advisor  
Merrill Lynch & Co.

## Dealers

Goldman Sachs Money Markets, Inc.  
Merrill Lynch and Co.

Issuing and Paying Agent  
Manufacturers Hanover Trust Co.

Merrill Lynch



## National Power

NATIONAL POWER PLC

U.S. \$500,000,000

Euro-Commercial Paper Programme  
with Multi-currency Options

Rated A-1 by Standard and Poor's Corporation  
Rated P-1 by Moody's Investors Service Ltd

Arranger  
UBS Phillips & Drew Securities Limited

Dealers

Barclays de Zoete Wedd Limited

NatWest Capital Markets Limited

UBS Phillips & Drew Securities Limited

Issuing and Paying Agent

National Westminster Bank PLC



## National Power

NATIONAL POWER PLC

STG100,000,000

Swingline Facility

(Incorporated within the STG1,500,000,000

Revolving Credit Facility dated December 13, 1990)

Arranged by

Manufacturers Hanover Trust Company

Swingline Banks

Barclays Bank PLC

Deutsche Bank Aktiengesellschaft

London Branch

Manufacturers Hanover Trust Company

National Westminster Bank PLC

Union Bank of Switzerland

Swingline Agent

Manufacturers Hanover Limited



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## LONDON STOCK EXCHANGE

## Footsie gives ground in thin trading

By Terry Byland, UK Stock Market Editor

UNCERTAINTY over prospects for German interest rates unsettled the UK stock market yesterday. Lacking its recent support from the stock index sector, the FT-SE Index soon abandoned the 2,800 area reached on Friday and, further up, by Wall Street's loss of the Dow 3,000 level early in the session. London was more than 15 points down.

The best that could be said of yesterday's trading was that equity volume was too light to indicate a significant trend. The Sea electronic network reported turnover of only 500 shares, the lowest daily total since May 8, and sharply down on the 475m shares traded on Friday.

At the close, the FT-SE Index

were still mixed, and with a further batch of important company results due this week, the market was in a cautious mood. Comments last weekend from both the investment press and brokerage analysts focused on the possibility that a tight monetary policy by the bank when it meets next may restrict the timing of the next round of cuts in UK base rates.

Uncertainty was heightened when Tesco, a leading UK food supermarket group, cut prices heavily on a wide range of products, opening up fears that the traditional mid-summer marketing programme might fuel the already vigorous price war in Britain's high streets.

The rest of the consumer sectors also suffered losses

while construction stocks, also casualties of high interest rates in the UK, remained depressed. The market was still unsettled by last week's bearish report from the Confederation of British Industry.

However, the banks, where National Westminster will today complete the interim reporting season at the UK clearing banks, performed well, with the equity market still taking a relatively favourable view of the profits from the Big Four.

Dollar-earning stocks, although not heavily traded in the session, continued to crumble in late dealings as Wall Street reacted to weakness in the US currency. Oil

shares fell lower and Glaxo gave back some of its recent gains.

Similar views are at

Kleinwort Benson Securities where Mr Anthony Thomas said it is "fairly clear" that a rise in German discount rate is inevitable, although he is not sure whether the more important Lombard rate will also be raised.

Views in the City on the outlook for the domestic economy

Account Dealing Dates

First Dealing Aug 12 Sep 2

Option Dealing Dates Aug 6 Aug 29 Sep 12

Last Dealing Aug 9 Aug 30 Sep 13

Accounts Day Aug 10 Sep 23

News releases may take place from 10am and business days marked.

16.3

started the day lower, the Footsie climbed briefly to 2,806 before turning down again to show a loss of around eight points as Wall Street opened. With the Dow 3,830 off in London hours, and international blue chips weakened by a fall in the US currency, the London market was flat at the close of trading.

Views in the City on the outlook for the domestic economy

278m, implied much higher profit and turnover multiple than in recent takeovers in the music business.

Analysts conceded that the material for which Really Useful Owns copyright is likely to have a longer earning life than most copyrighted popular music. They argued nevertheless that the price paid represented more than double the price given to another music company. Thorn's music operations turn over more than £100m and account for 38 per cent of group profits.

The continued strengthening of sterling against the dollar, up 1% to \$1.71, and its toll on international stocks, was also unsettled by a sale over the weekend of Ian Hanson at 211p, reportedly by an UK institution. Hanson's profit-taking dipped 3% to 17.5p. Profit-taking knocked Glaxo down 18 to 1277p, while ICI receded 12 to 1232p.

SmithKline receded 2 to 775p, and Morrisons, unchanged at 815p, were exceptions. The former underperformed and the latter outperformed yesterday. The latter continued to benefit from a string of brokers' buy recommendations that followed presentations in London and New York. The latest to add its name to the list of last week's buy note issuers was New Grove.

The platinum price remained in the doldrums and Lonrho was last down 3 to 31p.

Shares in Glaxo have underperformed recently, down 12 to 375p. Mr Michael Lewis of Smith & Lee, which Mr Robert Law of Lehman Brothers highlighted as the sector's most highly geared recovery play, picked up 4 to 222p in spite of a number of bearish circulars from

lysts, and Barclays, which disappointed observers with its figures last week, firmed a penny to 462p.

Insurers were down ahead of the opening of their reporting season. However, the falls reflected technical correction of the bounce at the end of last week rather than a general market view on the sector. Experts feel that the bad news is already in the price.

Commercial Union, which announced results tomorrow, may well set a trend. CU (down 2 to 527p) is expected to report a loss but the interest is on what will happen to the dividend. Mr Chris Hitchings of Hoare

Moss believes it will be held but argues that it could be raised slightly in confidence.

Sumitomo, which Mr

Hitchings sees as the most likely candidate for a raised dividend, slipped 7 to 378p, and Royal Insurance was down 5 to 410p. Guardian Royal Exchange, which was unaffected by last week's bounce, receded 2 to 181p.

Cadbury Schweppes shed 6 to 363p as renewed speculation that the Monopolies and Mergers Commission was about to publish its report into the merged soft drinks industry.

Turnover in Burton oil-paid shares swelled in ITM as several lines of stock were issued.

The oil-paid shares

ordinary eased 2 to 31p.

Some second-line issues were firm as the market's attention in the wake of the recent rise in Footsie stocks. Bathrooms and kitchens company

Baron, up 1 to 114p, reflecting a £3.6m disposal to Polyplus (changed at 171p). USM-quoted restaurant chain Pelican responded to favourable press comment and gained 5 to 26p. Reject Shop, another USM stock, rose 4 to 81p in spite of the grim conditions on the high street. Shoprite, the Isle of Man-based food retailer, put on 7 to 371p.

Television contractor TVS Entertainment slipped 3 to 40p, but had levelled off within five days. The board announced it would post an interim loss. The board blamed falling advertising revenues.

USA-quoted TV-am lost an early gain to end a year off at 110p, its lowest since December 1987. Just before the close of trade, 1.6m TV-am shares, or 2.4 per cent of the equity, changed hands at 105p.

Trading in the hotels

sector prompted

Glaxo to trim its profits

as its London Boat Houses

(unchanged at 110p) and Ladbrokes (down 3 to 117p) for

year's profits from Queen's

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## MINES - Contd

## OIL AND GAS

## TITLES

## Miscellaneous

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1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
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1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
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1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
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1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
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1990	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00	1991	1.00	0.90	1.00	1.00
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## **WORLD STOCK MARKETS**

03 Price data supplied by Telektronik

01 NOTES - Prices on this page are as  
01 quoted on the individual exchanges  
02 and are last traded prices. (u) unavailable,  
03 (f) dealings suspended, (d) Ex  
04 divided, (c) Ex scrip issue, (r) Ex  
05 rights, (x) Ex all.





## AMERICA

## Dow dips below 3,000 level as investors sit tight

## Wall Street

**T**he Dow Jones Industrial Average fell back through the 3,000 level yesterday morning as a lack of investor interest in the market pushed equity prices lower in very thin, summer trading, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was down 11.40 points at 2,994.86. The more broadly based Standard & Poor's index was also weak, losing 2.13 to stand at 885.06.

The Nasdaq composite of over-the-counter stocks fell 2.75 to 502.92 as investors who made strong gains in the recent seven-day rally took profits. Turnover on the NYSE was a light 75m shares by 1 pm.

There was little for investors and dealers to do yesterday but sit tight. The bond market was unable to give equities a lead because buyers were staying on the sidelines ahead of this week's sale of billions of dollars' worth of new Treasury securities.

Hopes remained high of a cut in interest rates by the Federal Reserve, but most observers thought that it was unlikely that the Fed would change monetary policy until after the October 20 meeting of its policy-making Open Market Committee.

Among individual stocks, the first announcement of the latest sales figures put motor shares in the limelight. Ford, which reported slightly higher car sales but notably lower truck sales in late July, eased 5% to \$32.4.

The other big two carmakers were due to announce sales data later in the session. General Motors, however, did confirm payment of its regular 40 cents a share dividend, and rose 5% to \$40. Chrysler eased 5% to \$33.75.

Boeing rose 5% to \$45.5, Lockheed added 3% at \$46 but General Dynamics slipped 3% to \$43.4 after the US Air Force awarded the three defence contractors a \$3.6bn contract to develop its next fighter aircraft.

## Firm Wall Street features in steady week

Anthony

## MARKETS IN PERSPECTIVE

	% change in local currency 1				% change starting 1 Start of 1991	% change in US \$ 1 Start of 1991
	1 Week	4 Weeks	1 Year	Start of 1991		
Austria	-0.48	-1.80	-30.03	-4.22	+1.97	-10.42
Belgium	+1.35	+0.02	10.42	+14.07	+11.94	-1.66
Denmark	+1.84	+1.96	+3.25	+29.11	+25.84	+10.55
Finland	+1.43	+4.91	-16.62	+11.97	+10.15	-3.23
France	-0.26	+2.00	-8.99	+15.07	+12.98	-0.74
Germany	-0.31	-1.84	-17.08	+10.88	+8.79	-4.42
Ireland	+0.42	+2.93	-8.19	+20.10	+17.98	+3.65
Italy	+1.69	+2.12	-16.79	+11.95	+10.65	-3.76
Netherlands	+1.49	+2.75	+2.63	+21.63	+19.63	+5.10
Norway	+1.51	+1.58	+20.22	+12.49	+10.64	-2.80
Spain	+1.50	-0.40	-5.49	+21.44	+21.07	+6.36
Sweden	+1.84	-0.30	-8.96	+35.81	+31.09	+20.67
Switzerland	+0.85	+3.02	-0.44	+25.48	+20.71	+6.08
UK	+0.54	+4.83	+11.58	+21.00	+21.00	+6.51
EUROPE	+0.58	+2.85	-1.87	+18.57	+17.13	+2.89
Australia	+1.64	+3.22	-0.05	+25.49	+44.38	+26.26
Hong Kong	+0.83	+4.48	+18.50	+38.52	+58.47	+39.21
Japan	+0.76	+4.03	-13.50	+6.88	+20.69	+6.02
Malaysia	-1.68	-1.55	-5.42	+9.46	+10.70	+6.04
New Zealand	+2.19	-0.89	-24.87	+13.03	+25.40	+10.16
Singapore	-1.34	+2.84	-8.41	+24.19	+41.09	+23.44
Canada	-0.26	+1.20	-0.98	+6.09	+21.76	+6.98
USA	+1.74	+1.70	+10.83	+17.73	+34.00	+17.73
Mexico	-0.45	+1.72	+14.21	+58.67	+121.68	+64.57
South Africa	+0.90	+0.21	+4.61	+26.36	+50.21	+31.95
WORLD INDEX	+1.04	+3.42	-1.25	+14.98	+25.54	+10.29

1 Based on August 2nd 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

## ASIA PACIFIC

## Volume shrinks to seven-year low after latest scandal

## Tokyo

**T**RADE volume fell yesterday to its lowest level in seven years. Investors retreated on fears of political repercussions, following revelations at the weekend that a top aide to Mr Ryutaro Hashimoto, finance minister, had been involved in a loans scandal, writes Neil Weinberg in Tokyo.

Harley-Davidson firmed 3% to \$40.42 after the president of the motorcycle unit to the top of company's entire global sales team was interpreted by the market as a positive move.

XL/Decatamp jumped \$1 to \$114 on turnover of 1.5m shares after the company entered into a definitive pact to merge with a unit of Storage Technology.

Under the deal, each XL/Decatamp share will be swapped for just over one-quarter of a Storage Technology share. The news pushed Storage Technology \$3 lower to \$46 in active trading.

Hewlett-Packard shares slipped 1% to \$55.42 after unveiling its new fault-tolerant computer and announcing that it was slashing the price of its HP 9000 model 1240 by 40 per cent.

There was little for investors and dealers to do yesterday but sit tight. The bond market was unable to give equities a lead because buyers were staying on the sidelines ahead of this week's sale of billions of dollars' worth of new Treasury securities.

Growth Group rose 3% to stand at 85% in spite of its warning of a likely \$1.3bn full-year loss because of a \$2m net charge. The coatings and chemicals group also announced that it was in talks regarding the possible sale of some of its West Coast coating operations.

The Toronto market was closed for a holiday yesterday.

## SOUTH AFRICA

**F**URTHER falls by gold shares, in response to the continued weakness in gold bullion and platinum prices, depressed share prices respectively.

Michelin ended 70 centimes higher, after trading within a narrow range throughout the session. The CAC 40 index ended 4.30 down at 1,762.22.

Turnover at the official close of only FFr360m was said to have been the lowest for more than three years.

The car sector provided much of the interest. Michelin, the tyremaker, and Peugeot advanced in relatively good volumes of 373,000 and 50,100 shares respectively.

Michelin ended 70 centimes higher at FFr1,023 below its day's high of FFr1,050.10. The share price had jumped 3.9 per cent on Friday, on the news that the company was raising the price of replacement tyres by up to 10 per cent.

Peugeot closed FFr5 up at FFr709, after reaching FFr592 in early trading. The gain followed Friday's news that July was the best month of the year to date for French car sales.

The car sector featured in steady week

rally, prompted by optimism over domestic interest rates. That view was supported by growing expectations of rate cuts in the US, where job data released after Tokyo closed on Friday showed continued economic weakness.

However, the Nikkei fell below 24,000 at 23,831 after opening as investors decided that the threat that the most recent scandal would worsen outweighed the bond market rally. News at the weekend that Mr Toyoki Kobayashi, Mr Hashimoto's personal side, had helped a recently dismissed Fuji Bank official to arrange illegal loans depressed the market.

The opening yesterday of an extraordinary Diet (parliament) session also prompted investors to take a wait-and-see stance. Legislators are set to examine the stock market further in the wake of the loss compensation scandals.

There were also fears that corporations named as recipients of loss compensation from

stock brokers would cancel "eigo tokkin" accounts, which would increase the supply of stock in a market where potential sellers already heavily outnumber would-be buyers. Eigo tokkin accounts enable securities firms to act both as brokers and fund managers, and are at the centre of the recent stock market scandal.

Mr Muneori Wakita of Merrill Lynch said the market was likely to gain support from bargain hunters if it dipped to 22,000, but was unlikely to top 25,000 in the absence of new buying incentives. These - in the form of lower interest rates - were not likely before the autumn, he predicted.

Electricals and other heavily export-oriented issues came under pressure as the prospects of a US economic recovery dimmed. Sony declined Y140 to Y136.50.

Interest rate-sensitive power utilities, were among the few winners. Chukoku Electric Power climbed 1.80

to a year's high of Y2,730. The composite index closed at 1,581.12, up 10.03, after turnover of 1,000.

Investors also focused on companies which have cut minimum share lots to 100 from 1,000, including Sega Enterprises, Nippon Television Network and Nintendo.

Nintendo ended unchanged at Y13,000.

TAIWAN tumbled in light trading on rumours that a leading local market participant had financial problems. The weighted index weakened 179.63 to 4,881.85 following Saturday's 49-point gain. Turnover came to T\$29.1m after Saturday's half-day T\$20.5m.

SINGAPORE and KUALA LUMPUR were both easier in the recent crop of interim reports failed to inspire investors.

The Singapore Straits Times Industrial index fell 12.51 to 1,485.04 in volume of S\$642m (S\$95.7m), while the Kuala Lumpur composite index

dipped 8.1 to 1,574.9 in this trade of A\$85m after A\$2.5m.

A fall in the price of bullion shaved 1.4 per cent off the gold index. Placer Pacific, lost 3 cents to A\$2.35 and Western Mining 4 cents to A\$2.56.

NEW ZEALAND declined in the third session in a row. The NZSE 40 index dropped 10.07 to 1,458.05, in line with a weaker local bond market and easier stock market in Australia.

Turnover narrowed to NZ\$2.6m from NZ\$3.9m.

Interest rate-sensitive power utilities, were among the few winners. Chukoku Electric Power climbed 1.80

to a year's high of Y2,730. The composite index closed at 1,581.12, up 10.03, after turnover of 1,000.

Investors also focused on companies which have cut minimum share lots to 100 from 1,000, including Sega Enterprises, Nippon Television Network and Nintendo.

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